Alberta

Freedom To Create. Spirit To Achieve.

Employment and Immigration

Annual Report
2009-2010

Government of Alberta

This report was prepared on behalf of the Ministry by the Department of Alberta Employment and Immigration in collaboration with the Alberta Labour Relations Board and the Appeals Commission for Alberta Workers' Compensation.

For more information, contact:

Employment and Immigration
Organizational Planning and Reporting
6th floor, 10808 – 99 Avenue
Edmonton, Alberta T5K 0G5

Email: AnnualReport.EI@gov.ab.ca
Tel. 780-427-2072, toll-free by first dialing 310-0000
Fax 780-415-2477

TDD/TTY number:
780-427-9999 in Edmonton or 1-800-232-7215

Electronic versions of this document are available at
www.employment.alberta.ca/annualreports.

Copyright © 2010, the Crown in Right of the Province of Alberta, as represented by the Minister of Employment and Immigration

Permission is hereby given by the copyright owner for any person to reproduce this document for educational purposes and on a non-profit basis.

Fall 2010

ISSN 1920-6151

Employment and Immigration

Annual Report
2009-2010

CONTENTS

Preface 2

Minister's Accountability Statement 3

Message from the Minister 4

Management's Responsibility for Reporting 5

Results Analysis 7

- **Ministry Overview** 7
- **Organizational Chart** 10
- **Review Engagement Report** 11
- **Performance Measures Summary Table** 12
- **Discussion and Analysis of Results** 14
- **Core Business 1: Investing in Alberta's labour supply** 15
- **Core Business 2: Investing in the skills and supporting the independence of Albertans** 19
- **Core Business 3: Investing in Alberta's workplaces** 21
- **Ministry Expense by Function** 25

Financial Information 26

- **Auditor's Report** 27
- **Financial Statements and Notes** 28
- **Financial Statements: Workers' Compensation Board** 48

Appendix A: Performance Measures Sources and Methodologies 101

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 30, 2010 contains Ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

This annual report of the Ministry of Employment and Immigration contains the Minister's accountability statement, the audited financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Employment and Immigration, for which the Minister is responsible; and**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2010, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 20, 2010 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Original signed by

Thomas A. Lukaszuk
Minister of Employment and Immigration

Message from the Minister

Employment and Immigration is responsible for a wide range of activities including workforce development, immigration, income support, occupational health and safety, employment standards, employment and training programs, and labour relations.

The strong common thread for the department across these broad activities is investing in Albertans and in Alberta's workplaces to create an environment where people are contributing to and sharing in the province's prosperity. It is about creating an environment where Alberta maintains a reputation as an attractive place to live, work and do business, and as a place that is globally competitive.

Employment and Immigration played a significant role supporting five of the Government of Alberta's nine goals in 2009/2010, particularly in ensuring that Alberta has a prosperous economy and is a safe place to live, work and raise families.

The economic downturn in 2009 had a major impact on the department's activities. Rising unemployment resulted in more Albertans requiring financial assistance and health benefits. It also meant an increased demand for employment and training programs to enable Albertans to re-enter the labour force. Throughout the economic downturn, our work with employers continued, ensuring Alberta has the skilled workforce to meet present and future demands.

The department's efforts to attract newcomers continued but with an increased emphasis on supporting them as they build a new life in our province. This was accomplished through innovative settlement initiatives and improving foreign qualifications recognition.

E&I also continued to support fair, safe and healthy work environments in the province through a combination of education and enforcement. While more needs to be done to improve the safety culture in Alberta's workplaces, we made progress, illustrated by the provincial on-the-job injury rate decreasing to its lowest level ever.

The Francophone Secretariat is the liaison between the Alberta government and Alberta's francophone community. The Secretariat represented the needs of the Francophone community within government and supported activities to promote French language and culture.

I am also pleased to recognize the work of the Alberta Labour Relations Board for their dedicated efforts to help maintain positive relations with employers, workers and labour organizations in the province, as well as the Appeals Commission for Alberta Workers' Compensation for its fair decisions on appeals.

E&I, like other government ministries, took action in 2009 by looking internally at ways to more efficiently provide services to Albertans. The collective savings resulting from those efforts helped lower the deficit and improve the government's fiscal position.

I wish to thank all staff and our community, business and industry partners for their hard work and adaptability to the changing economic environment. The accomplishments detailed in this annual report are the result of their dedication and commitment to Albertans.

Original signed by

Thomas A. Lukaszuk
Minister of Employment and Immigration
MLA, Edmonton – Castle Downs

Management's Responsibility for Reporting

The Ministry of Employment and Immigration includes:

- Department of Employment and Immigration
- Francophone Secretariat
- Alberta Labour Relations Board
- Appeals Commission for Alberta Workers' Compensation
- Workers' Compensation Medical Panels
- Occupational Health and Safety Council
- Workers' Compensation Board – Alberta

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Employment and Immigration. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The financial statements are prepared in accordance with the Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information agrees with the underlying data and the sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – Performance measures and targets match those included in Budget 2009. Actual results are presented for all measures.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;

- provide Executive Council, Treasury Board, the Minister of Finance and Enterprise and the Minister of Employment and Immigration any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Original signed by

Shirley Howe
Deputy Minister, Employment and Immigration
September 20, 2010

Results Analysis

Ministry Overview

The Department

All divisions have key activities related to E&I's core businesses and provide support to cross-ministry projects. In addition, the Francophone Secretariat was part of the ministry until March 31, 2010, and was transferred to the Ministry of Municipal Affairs on April 1, 2010.

Delivery Services Division

Delivery Services comprises staff in 59 service access sites, 10 Alberta Job Corps sites and in Centrally Delivered Services' contact centres. This division is the primary contact point for Albertans to access many of E&I's programs, services and information. The division helps Albertans find and maintain jobs, employers meet their needs for skilled workers, and assists Albertans with lower incomes by providing financial and health benefits and child support services.

Immigration Division

Immigration is responsible for managing a seamless and comprehensive provincial immigration system to assist employers meet their labour force needs; delivering information about the immigration process; executing an integrated strategic marketing plan; developing and supporting immigration policy and programs aimed at attracting immigrants; and providing settlement and integration services to help newcomers with their transition into Alberta's economic, social and cultural life. The division also administers the Alberta Immigrant Nominee Program, English language training programs and the International Qualifications Assessment Service.

Strategic Corporate Services Division

The Strategic Corporate Services division is responsible for finance, organizational planning, administration, legislative assistance, data development and evaluation, information and privacy, information management and application support, intergovernmental relations, benefit decision appeals and production of career and workplace resources. The division also includes the Office of Statistics and Information (OSI), which is responsible for consolidating the Government of Alberta's official statistics and other key government data to support the efficient and strategic management and dissemination of information for policy and decision-making.

Workforce Supports Division

Workforce Supports creates innovative and effective policies to help industry develop a skilled and productive workforce that meets the changing needs of the economy; under-represented groups, such as Aboriginal people and persons with disabilities, develop skills and increase their labour force participation; and Albertans with lower incomes to meet their basic needs. The division is responsible for policy and program development related to employment and training services, career and employment information services, labour mobility, health benefits, child support services and income support.

Workplace Standards Division

Workplace Standards has policy and delivery staff working across the province developing and implementing legislation, policy and programs so Albertans have a fair, safe and healthy work environment. This includes important elements of the workplace such as employment standards, labour relations and mediation, workplace health and safety and professions and occupations.

Communications

Communications supports government and E&I with issues management and promotion of department programs and initiatives through communications planning, media relations and advertising, developing public information materials, and administering the government's visual identity program.

Human Resources

Human Resources (HR) provides E&I employees with services to fulfill all of their human resources needs. HR staff members actively consult with employees throughout the department to help to set the best direction for human resources activities and employee services. HR's mission is to work collaboratively to help manage the department's business.

Francophone Secretariat

The Francophone Secretariat serves as a liaison between the government and the Alberta francophone community by clarifying and representing the needs of the francophone community to government. The Government of Alberta established the Francophone Secretariat in 1999 in recognition of its commitment to its francophone citizenry. The Secretariat represents francophone Albertans and the Province of Alberta in organizations and events such as conferences of ministers responsible for francophone affairs, and participates in the negotiation of federal/provincial agreements relating to French language, culture, and education programs.

Alberta Labour Relations Board

The Alberta Labour Relations Board (ALRB) is an independent quasi-judicial tribunal responsible for the impartial application and interpretation of Alberta's labour relations laws.

Appeals Commission for Workers' Compensation

The Appeals Commission for Alberta Workers' Compensation (Appeals Commission) is an independent, impartial quasi-judicial body responsible for the final level of appeal for decisions of the Workers' Compensation Board – Alberta.

Workers' Compensation Medical Panels

Workers' Compensation Medical Panels provide the Workers' Compensation Board – Alberta and the Appeals Commission for Alberta Workers' Compensation with an impartial and independent decision-making process to resolve medical issues relating to Workers' Compensation claims. Each panel is made up of three physicians with specialized knowledge of the medical area in dispute.

Occupational Health and Safety Council

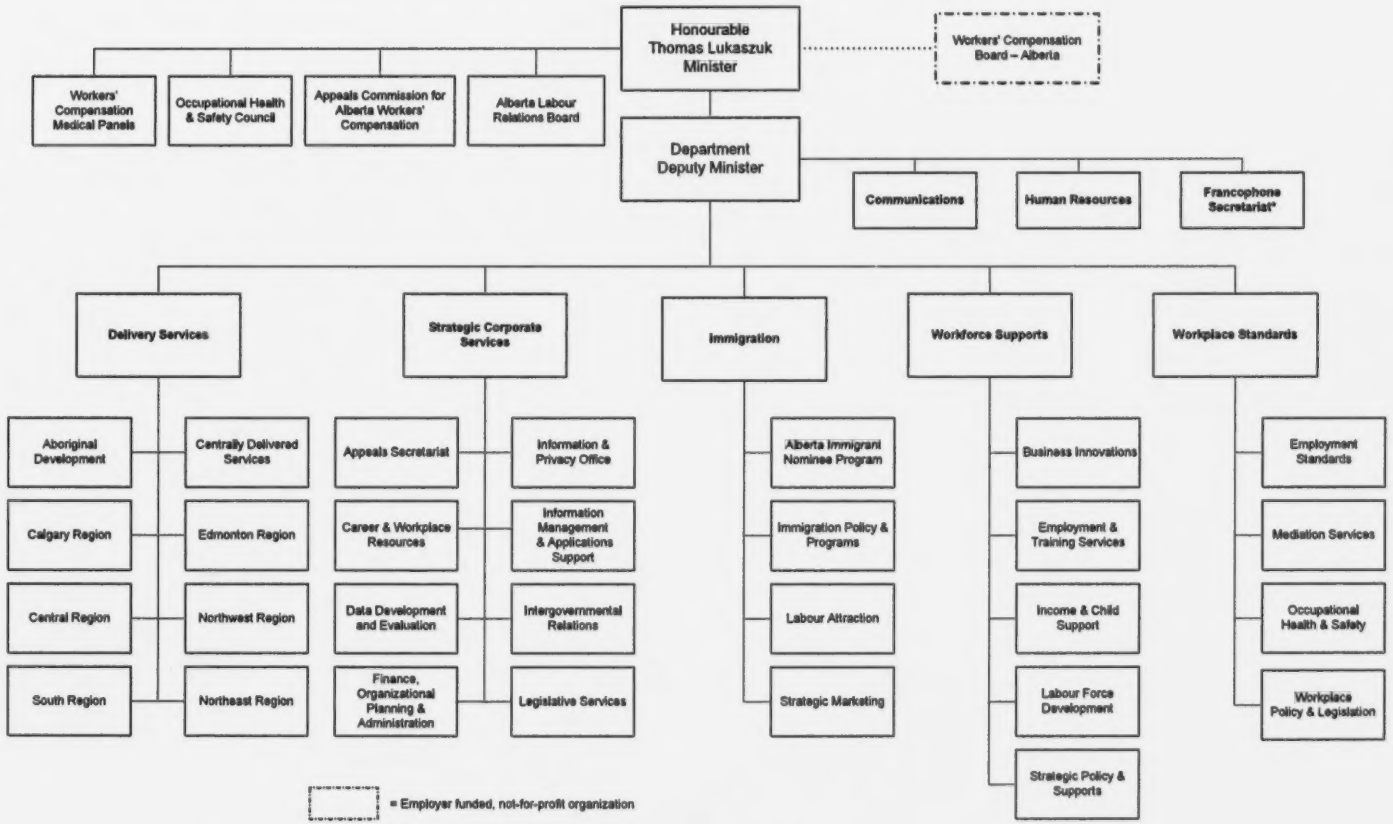
The Occupational Health and Safety Council advises the Minister of Employment and Immigration on matters concerning the *Occupational Health and Safety Act* and on matters related to the health and safety of Alberta workers. In addition, the Council is empowered to hear appeals of orders issued by Occupational Health and Safety Officers, oversee the review of the *Occupational Health and Safety Code* and perform related duties and functions that may be assigned by the Minister.

Workers' Compensation Board – Alberta

The Workers' Compensation Board – Alberta (WCB) is an employer funded, not-for-profit organization legislated to administer the workers' compensation system for Alberta. The WCB prepares its own annual report each year, and a copy of its audited financial statements is included in this Annual Report.

Ministry of Employment and Immigration

As of March 31, 2010



* Francophone Secretariat became part of the Ministry of Municipal Affairs on April 1, 2010

AUDITOR GENERAL *Alberta*

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the *Ministry of Employment and Immigration's 2009-10 Annual Report*. These performance measures are prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – Performance measures and targets match those included in Budget 2009. Actual results are presented for all measures.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to my office by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's 2009-10 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

Original signed by Merwan N. Saher

CA
Auditor General

Edmonton, Alberta
September 10, 2010

Performance Measures Summary Table

Core Businesses/Goals/Performance Measures		Prior Years' Results				Target	Current Actual
Core Business 1: Investing in Alberta's labour supply							
Goal 1: Alberta is able to meet its labour force requirements							
1.a	Labour Productivity: inter-provincial rank of real Gross Domestic Product in dollars per hour worked (# 1 is the highest)	#1 $48.83 2005	#1 $49.63 2006	#1 $48.24 2007	#1 $47.79 2008	#1	#1 $47.54 2009
1.b*[1]	Alberta First Nations, Métis and Inuit off-reserve labour force	65,400 2005	67,600 2006	71,400 2007	72,500 2008	73,000	72,600 2009
1.c	Inter-provincial rank of labour force participation rate (# 1 is the highest)	#1 72.7% 2005	#1 73.4% 2006	#1 74.1% 2007	#1 74.7% 2008	#1	#1 74.3% 2009
1.d	Percentage of employers who reported no positions vacant for more than four months	n/a (not reported)	n/a (biennial survey)	75% 2007-08	n/a (biennial survey)	75%	77% 2009-10
Goal 2: Alberta is able to attract and retain workers to the province							
2.a*[1]	Number of new immigrants to Canada who choose Alberta as their destination	19,404 2005	20,716 2006	20,861 2007	24,199 2008	24,000	27,004 2009
2.b	Alberta's net inter-provincial migration	43,418 2005	46,239 2006	13,642 2007	22,202 2008	9,000	6,566 2009
2.c	Provincial nominations forwarded to the federal government through the Alberta Immigrant Nominee Program:						
	• Number of certificates forwarded	522 2005-06	981 2006-07	1,658 2007-08	3,519 2008-09	4,000	4,175 2009-10
	• Total number of individuals nominated	1,357 2005-06	2,600 2006-07	4,316 2007-08	9,012 2008-09	9,200	10,467 2009-10
2.d	International Qualifications Assessment Services (IQAS) available to the public:						
	• *Number of IQAS assessment certificates issued	3,596 2005-06	4,881 2006-07	4,906 2007-08	5,942 2008-09	6,000	6,319 2009-10
	• Percentage of IQAS clients who felt they received a fair assessment of their credentials	n/a (biennial survey)	86% 2006-07	n/a (biennial survey)	88% 2008-09	n/a (biennial survey)	n/a (biennial survey)
Core Business 2: Investing in the skills and supporting the independence of Albertans							
Goal 3: All Albertans share in and contribute to the economic prosperity of Alberta							
3.a	Percentage of participants in skills programs employed post-intervention	83% 2005-06	85% 2006-07	85% 2007-08	84% 2008-09	85%	77% 2009-10
3.b*	Percentage of participants in skills programs who indicate their training helped prepare them for future employment	n/a (not reported)	81% 2006-07	79% 2007-08	76% 2008-09	82%	81% 2009-10
3.c	Percentage of participants employed after leaving Income Support	68% 2005-06	59% 2006-07	61% 2007-08	69% 2008-09	70%	54% 2009-10
3.d*	Percentage of Child Support Services clients with potential for child support who have a support order or an agreement in place when the file closes	78% 2005-06	73% 2006-07	77% 2007-08	78% 2008-09	80%	76% 2009-10

Core Businesses/Goals/Performance Measures		Prior Years' Results				Target	Current Actual
3.e	Percentage of Alberta Child Health Benefit parents who agree they are able to obtain health services they would not otherwise have been able to get for their children	n/a (biennial survey)	91% 2006-07	n/a (biennial survey)	93% 2008-09	n/a (biennial survey)	n/a (biennial survey)
Core Business 3: Investing in Alberta's workplaces							
Goal 4: Alberta has a fair, safe and healthy work environment							
4.a*	Percentage of collective bargaining agreements settled without a work stoppage (strike or lockout)	98% 2005-06	99% 2006-07	98% 2007-08	99% 2008-09	98%	98% 2009-10
4.b*	Percentage of employers whose employment practices resulted in no complaints being registered with Employment Standards	98% 2005-06	98% 2006-07	98% 2007-08	97% 2008-09	97%	98% 2009-10
4.c	Lost-Time Claim Rate: number of lost-time claims per 100 person-years worked	2.41 2005	2.35 2006	2.12 2007	1.88 2008	1.70 or less	1.69 2009
4.d	Disabling Injury Rate: number of disabling injury claims per 100 person-years worked	4.02 2005	4.14 2006	3.88 2007	3.63 2008	3.50 or less	3.09 2009
Goal 5: Alberta has a fair, equitable and stable labour relations environment							
5.a	Average number of days from the acceptance of an application to the date of the first hearing	75 2005-06	67 2006-07	44 2007-08	86 2008-09	70	69 2009-10
5.b	Percentage of applications, with Board involvement, settled before reaching a formal hearing	73% 2005-06	65% 2006-07	56% 2007-08	67% 2008-09	57%	58% 2009-10
5.c	Percentage of decisions rendered within 90 calendar days from the completion of the hearing(s)	62% 2005-06	80% 2006-07	96% 2007-08	88% 2008-09	85%	62% 2009-10
5.d	Percentage of decisions rendered within 180 calendar days from the completion of the hearing(s)	88% 2005-06	88% 2006-07	95% 2007-08	100% 2008-09	100%	83% 2009-10
Goal 6: Alberta has an effective mechanism for the final appeal of Workers' Compensation Board decisions							
6.a	Average number of days of processing time required by the Appeals Commission from the date the appeal is received until the appeal is finalized:						
	• Standard Appeals	214 2005-06	172 2006-07	144 2007-08	172 2008-09	135 or less	153 2009-10
	• Complex Appeals	276 2005-06	225 2006-07	182 2007-08	212 2008-09	180 or less	180 2009-10
6.b	Percentage of the total number of Appeals Commission decisions issued that are either not challenged or are not overturned upon review by the Courts, the Ombudsman or by the Appeals Commission on reconsideration	98.3% 2005-06	98.0% 2006-07	95.9% 2007-08	98.1% 2008-09	Greater than 98%	97.2% 2009-10

* **Indicates Performance Measures that have been reviewed by the Office of the Auditor General**
The performance measures indicated with asterisks were selected for review by ministry management based on the following criteria established by government:

1. Enduring measures that best represent the goal and mandated initiatives,
2. Measures that have well established methodology and data reporting, and
3. Measures that have outcomes over which the government had a greater degree of influence.

1 Performance measure results for prior years have been revised.

Note: for more detailed information about performance measures, see Appendix A: Performance Measures Sources and Methodologies.

Discussion and Analysis of Results

Alberta's economy contracted in 2009-10, reflecting the global economic situation. According to Statistics Canada, real gross domestic product (GDP) fell in every province and territory in Canada except Prince Edward Island and Yukon in 2009. Nationally, real GDP declined by 2.8 per cent in 2009, following a 0.6 per cent increase in 2008. Alberta experienced the fifth largest drop of the provinces with a decline of 5.1 per cent. This affected the majority of industry sectors, with the construction and oil and gas industries impacted the most. In contrast with the last several years, retail trade declined sharply, largely as a result of falling auto sales. With the drop in construction and mining activity, output in business service and transportation industries also fell for the first time in several years.

The ministry's 2009-10 revenues were $425.3 million, approximately $93 million higher than the previous year. The increase was mainly due to federal resources received under the Labour Market Agreement, the Canada Skills and Transition Strategy, and the Community Development Trust Fund.

The ministry's overall annual spending increase of $200.2 million from 2008-09 is primarily the result of higher program expenses across all employment programs. The unemployment rate in Alberta rose to 7.5 per cent from 6.0 per cent in 2009-10, meaning more Albertans were unemployed. Given the role that E&I plays in helping Albertans with lower incomes, the ministry's income support and health benefit spending increased with rising unemployment rates. Federal labour market development and economic stimulus funding was used to direct more of these clients toward employment and training programs. Spending increases were also seen in immigration programs and Community Development Trust Fund forestry and Aboriginal initiatives.

Within this context, the following section summarizes the key results for the ministry in 2009-10.

Core Business 1: Investing In Alberta's labour supply

Through this core business, the ministry works to ensure the province has a sufficient supply of workers to meet the needs of the economy, now and in the future. This includes attracting and retaining other Canadians and immigrants to Alberta's labour force.

GOAL 1 Linked to Core Business 1 – Investing in Alberta's labour supply

Alberta is able to meet its labour force requirements.

Employment and Immigration (E&I) continued to work with Albertans, business and industry to assist with attraction, retention, workforce adjustment, meeting labour market needs and providing labour market information. Through Alberta's comprehensive workforce strategy *Building and Educating Tomorrow's Workforce*, E&I worked with stakeholders to address specific critical skills shortages facing Alberta, and to increase the labour force participation of under-represented groups.

In 2009-10, the ministry's overall labour force development spending was approximately $69 million. Increases from 2008-09 were seen in the areas of Workforce and Aboriginal Development Partnerships, as well as in First Nations and Aboriginal Training to Employment programming. Increases in the Federal Community Development Trust Fund were directed toward forestry, Aboriginal and workplace productivity initiatives. In addition, as part of the government's continued efforts to promote efficient and effective health care services delivery, $41.8 million was provided under the Health Workforce Action Plan to fund activities related to supporting immediate and future health workforce needs.

Key results and highlights in helping Alberta meet its labour force requirements include:

- Hosted over 180 "Employer Connections" events in Labour Market Information Centres and Alberta Works offices, where job seekers meet employers face-to-face to find out about current vacancies.
- Presented numerous workforce adjustment information sessions to employers who were considering staff reductions, providing them with retention strategies and alternatives to lay-offs.
- Held industry contributor group meetings with industry stakeholders from four sectors (Energy, Manufacturing, Construction, and Tourism and Hospitality) to discuss the current workforce situation and facilitate implementation of workforce strategies.
- Funded initiatives in the forestry industry through a cross-ministry partnership with Sustainable Resource Development and Finance and Enterprise to help industry employers and employees impacted by the economic downturn. Initiatives included work to develop a skilled labour force for the future forestry industry by enhancing employee skills, increasing productivity, diversifying products and supporting workforce adjustments. An example of these initiatives is a Community Futures Program in the High Level area which encouraged diversification by providing business counseling and support for new entrepreneurial ideas and resulted in 12 new business starts, 30 new jobs and preservation of over 50 existing jobs.

- With Aboriginal Relations, co-led the First Nations, Métis and Inuit (FNMI) Workforce Planning Initiative with support from Advanced Education and Technology, and Education. The intent of this initiative is to engage FNMI leaders on a government-to-government basis to jointly identify issues, barriers and challenges to Aboriginal labour market participation and economic development, and to collaborate on creating community workforce action plans. To support this work, E&I facilitated meetings between an MLA Committee, community representatives and First Nations and Métis leaders to discuss increasing Aboriginal workforce participation and economic development.
- Provided skills and employment readiness training to Aboriginal Peoples through projects such as assisting with the opening of the Maskwacis Employment Centre in Hobbema, training First Nation career consultants to provide career and employment services to members of the Samson, Montana, Louis Bull and Ermineskin Bands; providing funding to train Aboriginal women in non-traditional occupations; and supporting Piikani Employment Services to train 32 First Nations members in one of four trades (carpentry, electrical, welding and plumbing) over seven months by building log homes.
- Developed the *Office of Statistics and Information Act* and *Regulation*, which were proclaimed in June 2009, recognizing E&I's Office of Statistics and Information as the official provincial statistical agency for Alberta.

In 2009, the number of employed Albertans decreased by 1.25 per cent, or 25,000 people, while the working-age population increased by 2.4 per cent. The weaker labour market, coupled with the decrease in employment and increase in working-age population, impacted the following performance measures:

- In 2009, Alberta's labour force participation rate was 74.3 per cent (0.4 percentage points lower than in 2008). However, Alberta's rate still ranked highest in Canada, meeting its performance measure target. (Performance Measure 1.c, Performance Measures Summary Table, pg. 12)
- Alberta's First Nations, Métis and Inuit (FNMI) off-reserve labour force was 72,600 in 2009, which was 100 people greater than in 2008. However, this measure fell slightly short of its target of 73,000. (Performance Measure 1.b, Performance Measures Summary Table, pg. 12)

GOAL 2 Linked to Core Business 1 – Investing in Alberta's labour supply

Alberta is able to attract and retain workers to the province

E&I led the development and implementation of policies and programs to attract, welcome and retain newcomers. Built on the Supporting Immigrants and Immigration to Alberta policy framework, E&I supported retention initiatives to help migrants as they settle within Alberta's communities and integrate into the labour force. The Ministry's overall 2009-10 spending on immigration programs increased $11 million over 2008-09. Greater activity and utilization was seen in the areas of Settlement and Integration Services, Foreign Qualification Recognition (FQR), English as an Additional Language (EAL) programming and the Alberta Immigrant Nominee Program (AINP).

Key results and highlights in attracting and retaining workers to the province include:

- Led the development of amendments to Chapter 7 of the *Agreement on Internal Trade*, ratified in August 2009 by all jurisdictions in Canada. Canadian workers now have greater access to work across Canada, allowing Alberta employers to more quickly attract and deploy skilled workers from other provinces. E&I continued to lead in implementing new processes for identifying and eliminating interprovincial labour mobility issues.
- Co-led the development of the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications to ensure coordinated national action to improve the labour market integration of immigrants in Canada. Identified actions that increased the timeliness, transparency and consistency of FQR at the national level, and supported actions that improve the inter-provincial portability of foreign qualifications.
- With the federal government, co-funded 18 settlement agencies, which served over 21,000 immigrants to assist them in accessing community supports and integrating into communities. In addition, provided language assessment services through three funded programs to over 18,000 individuals at language assessment centers in Calgary and Edmonton, and one itinerant language assessment service for rural Alberta. Funded nine pilot projects in six communities to help over 6,000 Temporary Foreign Workers connect to support services in their communities.
- Developed online tools to assist foreign nationals wanting to immigrate to Alberta. AINP Family Stream tutorials were launched with an average of 449 views per week. Subsequently, there was a 10 per cent increase in the acceptance rate for those applications.
- Aligned attraction efforts to reflect the current economic climate and focus on key occupations that continue to be in shortage and cannot be filled locally. Web marketing was successfully used to reduce costs. "Immigrate to Alberta" continued to be the focal point for international marketing campaigns, with the launch of new tools to improve client support. There were over a million visits to the web portal during the fiscal year.
- Completed two additional International Education Guides, bringing the total number to 10. These guides are a first in Canada and help employers, post-secondary institutions and professional regulatory bodies understand how the education systems in other countries compare to educational standards in Alberta. In addition to the guides, 30 accreditation fact sheets were completed that provide clear information to immigrants and employers on the steps required to be licensed in a regulated occupation in Alberta.
- Continued to assist foreign nationals and Canadians in accessing accurate information about coming to and living in Alberta. The Immigrate to Alberta Information Service responded to over 33,700 calls, over 8,390 emails, and delivered 25 presentations.

- Provided EAL training to 5,100 learners, career and employment services to 12,000 immigrants, integrated training to over 145 immigrants and bridging-to-occupation services to over 650 immigrants.
- Promoted Alberta as a great place to live and work using targeted marketing to attract international skilled workers applying to live in Canada. Using a list of over 13,900 names in Citizenship and Immigration Canada's Federal Skilled Workers program application backlog, E&I staff members distributed information that directed skilled potential immigrants to the Immigrate to Alberta website.

Alberta started 2009 with a strong influx of migrants from other provinces, but as economic conditions became increasingly difficult, the province experienced an interprovincial migration loss in the second half of the year. It is interesting to note that, at the same time, the economy did not lessen Alberta's ability to attract skilled workers from other countries. These events are illustrated by the following performance measure results:

- By the end of 2009, Alberta had a net interprovincial migration gain of 6,566 people. E&I's performance measure target was 9,000. Alberta's unemployment rate was 4.4 per cent at the beginning of 2009, peaking at 7.4 per cent over the course of the year. Alberta's net interprovincial migration results were impacted by this, showing a gain of 11,881 people in the first half of the year, and a loss of 5,315 people in the second half of the year. Alberta had the second highest gain in interprovincial migrants when compared to the other provinces. British Columbia ranked first with 7,499, and Newfoundland was third with 2,749. (Performance Measure 2.b, Performance Measures Summary Table, pg. 12)
- In 2009, Alberta attracted 27,004 new immigrants to the province, surpassing E&I's performance measure target of 24,000. E&I's immigration approach focused on attracting immigrants to address shortages in targeted skilled occupations in the labour force, as identified by *Alberta's Occupational Supply and Demand Outlook, 2008 - 2018* and other labour market indicators. (Performance Measure 2.a, Performance Measures Summary Table, pg. 12)
- E&I also had success with its Alberta Immigrant Nominee Program, which forwarded 4,175 provincial nominations to the federal government, exceeding the performance measure's target of 4,000. This corresponds to 10,467 individuals (principal applicant and dependants), which also exceeded the target of 9,200. (Performance Measure 2.c, Performance Measures Summary Table, pg. 12)

Core Business 2: Investing in the skills and supporting the independence of Albertans

This core business focuses on helping individual Albertans and families realize their potential and ability to share in the social, economic and cultural fabric of the province.

GOAL 3 Linked to Core Business 2 – Investing in the skills and supporting the independence of Albertans

All Albertans share in and contribute to the economic prosperity of Alberta

Through its employment and training programs, the ministry assisted Albertans facing challenges in becoming connected to the labour force. In 2009-10, spending on employment programs exceeded original budgeted spending by $188 million. Of this amount, $143 million can be attributed to rising unemployment rates and the resulting increase in the need for income support and health benefits. The balance of the deficit reflects the department's efforts to re-direct clients from income supports to employment and training programs, which enabled them to gain the skills needed to re-enter the labour force. Budget reallocations, increased federal resources and supplementary provincial funding helped offset the increased expenses.

Key results and highlights in helping all Albertans to share in and contribute to Alberta's economic prosperity include:

- Provided Albertans with career and labour market information, training resources and financial supports. E&I provided funding to over 23,000 Albertans for tuition-based training, and over 136,160 calls and emails were handled by the Student Funding Contact Centre. In addition, over 26,500 calls and emails were answered by the Career Information Hotline. Career advisors reviewed over 2,100 e-résumés, and provided information to help Albertans make informed career, education and employment decisions.
- Supported the WorldSkills 2009 Calgary competition in trades and technologies, which attracted 850 competitors from 47 countries. E&I staff members from across the province planned and provided staff support for government-related activities. These included E&I's presence in the Alberta House showcase, several tradeshow booths and the Careers in Motion bus.
- Launched the first Financial Management Contact Centre. This pilot project is being conducted by Centrally Delivered Services with the NE Region and Edmonton West offices to administer Income Support benefits to approximately 1,200 Not Expected to Work clients. The project is expected to realize efficiencies that could allow staff to focus even more attention on helping Albertans get jobs and necessary training.
- Provided funding to Calgary Economic Development to host the Global Leaders' Forum for employers to celebrate excellence in trades and technologies and highlight the importance of skilled workers to the local economy.
- Coordinated policy responses to the slowing economy, and established priorities and plans for the Canada Skills and Transition Strategy funds allocated to Alberta under the federal Economic Action Plan. The Economic Action Plan was designed to protect Canadians during the global recession and invest in Canada's long-term growth.

- Launched a French version of the Alberta brand signature and tagline (*Liberté de créer. Volonté de réussir.*). Several francophone community groups became brand ambassadors.

In 2009-10, the increased number of unemployed persons and the weaker labour market made it difficult for many Albertans to find work, reflected in the following performance measure results:

- In 2009-10, 77 per cent of participants in skills programs were employed during the first three months after leaving the program. E&I's performance measure target was 85 per cent. The challenging economic climate was a primary factor affecting the employment outcomes of participants. Prior education, work history and other barriers affecting participants are also factors that impact the final result. (Performance Measure 3.a, Performance Measures Summary Table, pg. 12)
- In 2009-10, 54 per cent of income support participants were employed during the first three months after leaving the program. E&I's performance measure target was 70 per cent. Difficult labour market conditions, prior education, work experience and other barriers affecting participants heavily impact employment outcomes for this measure. Some who left the program without obtaining employment transitioned to training programs, entered new partnerships or received support from other sources (Canada Pension Plan, Employment Insurance and disability-related income). (Performance Measure 3.c, Performance Measures Summary Table, pg. 12)

Core Business 3: Investing in Alberta's workplaces

This core business focuses on supporting fair, safe and healthy workplaces.

GOAL 4 Linked to Core Business 3 – Investing in Alberta's workplaces

Alberta has a fair, safe and healthy work environment

Fair, safe, healthy and productive workplaces increase the quality of life for Alberta workers and help keep Alberta prosperous and competitive in the global economy. E&I helped employers and organizations develop positive labour-management relationships through better communication, problem solving and cooperation. E&I also promoted, regulated, monitored and informed employers and employees in Alberta about workplace rights and responsibilities, health and safety, and fair and balanced employment standards. Spending levels in 2009-10 were slightly below those of 2008-09, mainly due to operational administrative savings.

Key results and highlights in making Alberta's work environment more fair, safe and healthy include:

- Implemented Bill 1, the *Employment Standards (Reservist Leave) Amendment Act, 2009*, which requires employers to provide unpaid, job-protected leave for Canadian Forces reservists. E&I also led in the enactment of the *Reservist Leave (Ministerial) Regulation* which extended job protected leave for reservists deployed during the Winter Olympics in Vancouver-Whistler.
- Amended three supporting regulations, and the *Engineering, Geological and Geophysical Professions Act* was brought into force in October 2009. This new "One Act, Two Associations" governance model is the first of its kind in Canada and affects the professional activities of over 80,000 professional engineers, geoscientists and related technologists in the province.
- Made a significant impact addressing health and safety issues and promoting a culture of occupational health and safety in the healthcare industry (for example, with the "No Unsafe Lift" campaign), ensuring that Alberta healthcare workers are protected on the job through presentations, industry and union collaboration, grants and extensive working group activity.
- Completed the Healthcare Compliance Strategy for H1N1 protection, conducting proactive site visits to 100 healthcare worksites and healthcare inspections to ensure Alberta healthcare workers were protected during the pandemic.
- Updated the Alberta Occupational Health and Safety (OHS) Code to keep workplace health and safety rules current and relevant. The OHS Council recommended changes to the code after extensive public consultation. Some of the updates to the OHS Code are:
    - new requirements for lift calculations, tag lines and personnel baskets;
    - healthcare requirements specific to patient/client/resident handling;
    - distinguishing between 'confined' and 'restricted' spaces for entry permit systems;
    - requirements applicable to respiratory protection against airborne biohazardous material;
    - mobile equipment requirements specifically for concrete pump trucks; and
    - new, specific safety factors for rigging components.

- Made 93 mediator appointments based on requests by employers and unions to assist in settling labour disputes, and 135 appointments of arbitrators to assist in resolving grievances.
- Continued to assist Albertans by providing information about employment standards and workplace safety. The Employment Standards Contact Centre responded to over 118,320 calls and over 6,670 emails, and the OHS Contact Centre responded to over 21,380 calls and over 230 emails.
- In 2009, conducted 14,227 inspections of Alberta employer work sites to ensure compliance with safety standards set out in the *OHS Act*, *Regulation* and *Code*. OHS officers wrote 9,157 orders to those employers who were not meeting regulatory standards to assist in improving the health and safety of workers in Alberta.
- Assisted in creating a new set of rules and procedures for the next province-wide round of construction industry collective bargaining, scheduled for later in 2010. The new rules were designed to reduce conflict and facilitate the smooth conduct of construction registration bargaining with building trade unions, with an eye to lessening the likelihood that the parties will need third party dispute resolution.
- Implemented a public awareness campaign to educate Albertans about workplace health and safety. The ads originally ran in Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, and have since been adopted by New Brunswick. Sharing public awareness resources between provinces allows Alberta to keep costs down while reaching more Albertans with health and safety messages. The Government of Nova Scotia and the Government of Saskatchewan used the Alberta-developed *Best Practice Guideline for Workplace Health & Safety During Pandemic Influenza*, strengthening the collaboration between provinces.

Fewer people were hurt on the job last year as Alberta's lost-time claim and disabling injury rates hit record lows. E&I continued to build upon the Work Safe Alberta strategy and reviewed workplace programs and associated legislation so that Alberta's workers and employers have the tools they need to maintain fair, safe and healthy work environments.

- In 2009, the provincial lost-time claim rate was 1.69 claims per 100 person-years worked, achieving the performance measure target of 1.70 or less. (Performance Measure 4.c, Performance Measures Summary Table, pg. 13)
- In 2009, the provincial disabling injury rate was 3.09 claims per 100 person-years worked, achieving the performance measure target of 3.50 or less. (Performance Measure 4.d, Performance Measures Summary Table, pg. 13)

Alberta Labour Relations Board

GOAL 5 Linked to Core Business 3 – Investing in Alberta's workplaces

Alberta has a fair, equitable and stable labour relations environment

The Alberta Labour Relations Board (ALRB) is an independent and impartial administrative tribunal, responsible for the day-to-day application and interpretation of Alberta's labour laws. The ALRB processes applications and frequently conducts hearings on matters arising from both private and public employment sectors. Some, but not all, of the issues that come before the ALRB include certifications, revocations, various votes, bargaining unit determinations and unfair labour practices which fall under the *Labour Relations Code*, *Public Service Employee Relations Act* and *Police Officers Collective Bargaining Act*.

ALRB's key results and highlights include:

- Continued to book hearing dates as soon as possible once the application had been received. Labour Relations Officers and Management used reports from ALRB's extensive case management system to monitor the timeliness of its processes and to redirect resources to those files that required them.
- Labour Relations Officers and Adjudicators continued to obtain training in the use of Alternative Dispute Resolution methods through a combination of regular academic course work and observing the methods used by ALRB's senior officer staff. The Resolution Conference initiative continued to provide settlement opportunities for the parties using ALRB's adjudicative staff.
- Adjudicators continued to use management reports that identify potentially late decisions, and to allocate resources to those cases. Case loads often determine the amount of time that adjudicators commit to writing versus hearing, and this is often a major factor in meeting performance measure targets.

There were 487 matters filed with the ALRB in 2009-10, 118 more than in 2008-09. The average number of days from the acceptance of an application to the date of the first hearing was 69 days, one day less than the target of 70 days. (Performance Measure 5.a, Performance Measures Summary Table, pg. 13)

The percentage of decisions rendered within 90 and 180 calendar days from the completion of the hearing(s) were both lower than targeted. The following factors impacted these two performance measures for the reporting period:

1. The number of administrative and formal hearings increased 35 per cent (274 to 369) and panel days sat increased 24 per cent (to 282 from 228).
2. The ALRB experimented with part-time Vice-Chairs as a response to fiscal and functional challenges.

(Performance Measures 5.c and 5.d, Performance Measures Summary Table, pg. 13)

Appeals Commission for Alberta Workers' Compensation

GOAL 6 Linked to Core Business 3 – Investing in Alberta's workplaces

Alberta has an effective mechanism for the final appeal of Workers' Compensation Board decisions

Having an independent and impartial body to hear appeals of decisions made by the Workers' Compensation Board is essential. This final level of appeal is important for workers, employers and the Workers' Compensation Board as well. The fair and consistent application of legislation, policy and principles of natural justice is required to ensure solid, defendable decisions.

The Appeals Commission for Alberta Workers' Compensation's key results and highlights include:

- Continued to book hearings as soon as possible, and ensured that unnecessary delays were addressed so that parties were prepared to proceed through the steps required to process an appeal.
- Reduced the outstanding appeals that had been in an adjourned status for long periods of time. Appeals were either moved forward in processing or were subject to dismissal.

In the past fiscal year, standard appeals were processed in 153 days on average and complex appeals in 180 days. Of the decisions issued, 97.2 per cent were either not challenged, or if they were, they were upheld upon review by the Courts, the Ombudsman or the Appeals Commission. The Commission continues to enhance competency-based recruitment and is revamping its performance management system.

(Performance Measures 6.a and 6.b, Performance Measures Summary Table, pg. 13)

Ministry Expense by Function

	(in thousands)		
	2009-10 Budget	2009-10 Actual	2008-09 Actual
Health	45,000	41,840	39,754
Education	266,016	305,200	270,091
Social Services	539,344	690,772	536,759
Agriculture, Resource Management and Economic Development	93,837	77,079	66,517
Regional Planning and Development	10,000	7,938	4,726
Recreation and Culture	1,184	1,151	4,801
Protection of Persons and Property	55,507	48,935	50,028
General Government	24	509	2,338
Total Expense by Function	$1,010,912	$1,173,423	$975,014

Financial Information

Accountability

Financial results of the Ministry of Employment and Immigration for the year ended March 31, 2010 include the activities of the Alberta Labour Relations Board, the Appeals Commission for Alberta Workers' Compensation and the Department of Employment and Immigration. Ministry expenses by function can be found in the Results Analysis section (pg. 25).

Auditor's Report

To the Members of the Legislative Assembly

I have audited the statements of financial position of the Ministry of Employment and Immigration as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher

CA
Auditor General

Edmonton, Alberta
June 9, 2010

STATEMENTS OF OPERATIONS
Year ended March 31

	(in thousands) 2010 Budget (Schedule 4)	2010 Actual	2009 Actual
Revenue (Schedule 1)			
Transfers from Government of Canada	$ 327,671	$ 375,362	$ 285,951
Internal Government Transfers	11,987	11,987	11,987
Premiums, Fees and Licences	564	681	723
Other Revenue	40,701	37,283	33,609
	380,923	425,313	332,270
Expenses Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry Support Services	21,901	20,725	22,141
Employment	794,748	982,363	795,535
Labour Standards and Workplace Safety	42,169	37,859	38,389
Immigration	83,732	71,113	60,491
Health Workforce Development	45,000	41,840	39,754
Federal Community Development Trust	10,000	7,938	4,726
Labour Relations Board	3,176	2,976	3,154
Workers' Compensation Appeals	10,162	8,100	8,486
	1,010,888	1,172,914	972,676
Statutory (Schedules 3 and 5)			
Valuation adjustments (Note 5)			
Provision for Vacation Pay and Doubtful Accounts	24	509	2,338
	1,010,912	1,173,423	975,014
Net Operating Results	$ (629,989)	$ (748,110)	$ (642,744)

The accompanying notes and schedules are part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As at March 31

(in thousands)

	2010	2009
Assets		
Cash	$ 13	$ 27
Accounts Receivable (Note 3)	9,588	9,861
Advances (Note 4)	5,020	5,040
Tangible Capital Assets (Note 6)	22,696	21,638
	$ 37,317	$ 36,566
Liabilities		
Accounts Payable and Accrued Liabilities	$ 90,127	$ 103,686
	$ 90,127	$ 103,686
Net Liabilities		
Net Liabilities at Beginning of Year	(67,120)	(56,156)
Net Operating Results	(748,110)	(642,744)
Net Financing Provided from General Revenues	762,420	631,780
Net Liabilities at End of Year	(52,810)	(67,120)
	$ 37,317	$ 36,566

The accompanying notes and schedules are part of these financial statements.

STATEMENTS OF CASH FLOWS
Year ended March 31

	(in thousands) 2010	2009
Operating Transactions		
Net Operating Results	$ (748,110)	$ (642,744)
Non-cash items included in Net Operating Results		
Amortization (Schedule 3)	2,804	1,753
Loss on Disposal of Capital Tangible Assets	1,293	-
Valuation Adjustments	509	2,338
	(743,504)	(638,653)
Decrease (Increase) in Accounts Receivable [a]	335	(4,226)
Decrease in Advances	20	115
(Decrease) Increase in Accounts Payable [b]	(14,130)	16,192
Cash Applied to Operating Transactions	(757,279)	(626,572)
Capital Transactions		
Acquisition of Tangible Capital Assets (Schedule 5)	(4,971)	(5,796)
Transfer of Tangible Capital Assets from Other Ministries	(184)	-
Cash Applied to Capital Transactions	(5,155)	(5,796)
Financing Transactions		
Net Financing Provided from General Revenues	762,420	631,780
Cash Provided by Financing Transactions	762,420	631,780
Decrease in Cash	(14)	(588)
Cash, Beginning of Year	27	615
Cash, End of Year	$ 13	$ 27

[a] Adjusted for provision for doubtful accounts.

[b] Adjusted for provision for vacation pay.

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE MINISTRY FINANCIAL STATEMENTS
Year ended March 31

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Employment and Immigration operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The Ministry of Employment and Immigration contributes to the Government of Alberta's priorities by working with partners to:

- Ensure that Alberta will have a prosperous economy,
- Ensure that Albertans will be prepared for lifelong learning,
- Ensure that Albertans will be healthy,
- Ensure that Albertans will be independent and that our children will be well cared for,
- Ensure that Alberta will be a safe place to live, work and raise families,
- Ensure that Alberta will have strong and effective municipalities and self-reliant Aboriginal communities,
- Ensure that Albertans have the opportunity to enjoy the province's natural, historical and cultural resources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The PSAB financial statement presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the departments.

(a) Reporting Entity

The reporting entity is the Ministry of Employment and Immigration for which the Minister of Employment and Immigration is accountable. The Ministry's Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of the Ministry are deposited into the Fund and all cash disbursements made by the Ministry are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported using the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal Government transfers are transfers between entities within the Government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal Government transfers are recognized as revenue when received.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (CONTINUED)

Transfers from Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made. Overpayments relating to Canada Social Transfer entitlements and transfers received before revenue recognition criteria have been met are included in accounts payable and accrued liabilities.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of Treasury Board, use the excess to fund additional expenses on the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

(a) amortization of tangible capital assets.

(b) pension costs, which are the cost of employer contributions during the year.

(c) valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, and long-term disability.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major system enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (CONTINUED)

Net Liabilities

Net liabilities represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized and another reasonably possible amount. The nature of uncertainty, for Canada Social Transfers, can arise from changes in the base allocations which are primarily a result of updated personal and corporate tax information.

Measurement uncertainty also exists for outstanding tuition fee recoveries originally expensed in the Ministry's employment programs. Tuition fee recoveries are recorded in the year received. The amount of any outstanding recoveries cannot be reasonably estimated.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

NOTE 3 ACCOUNTS RECEIVABLE

(in thousands)

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 9,414	$ (109)	$ 9,305	$ 9,556
Refunds from suppliers	283	-	283	305
	$ 9,697	$ (109)	$ 9,588	$ 9,861

Accounts receivable are unsecured and non-interest bearing.

NOTE 4 ADVANCES
(in thousands)

	2010	2009
Program advances	$ 5,020	$ 5,040
	$ 5,020	$ 5,040

Program advances are for emergent benefits for clients.

NOTE 5 VALUATION ADJUSTMENTS
(in thousands)

	2010	2009
Provision for doubtful accounts	$ (62)	$ (28)
Provision for vacation pay	571	2,366
	$ 509	$ 2,338

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment	Systems Development and Enhancements	2010 Total	2009 Total
Estimated Useful Life	3 to 10 years	5 to 7 years		
Historical Cost[a]				
Beginning of year	$3,189	$41,751	$44,940	$40,508
Additions	1,119	4,036	5,155	5,796
Disposals	-	(1,293)	(1,293)	(1,364)
	4,308	44,494	48,802	44,940
Accumulated Amortization				
Beginning of year	2,432	20,870	23,302	22,913
Amortization expense	396	2,408	2,804	1,753
Disposals	-	-	-	(1,364)
	2,828	23,278	26,106	23,302
Net Book Value at March 31, 2010	$1,480	$21,216	$22,696	
Net Book Value at March 31, 2009	$388	$21,250		$21,638

[a] Historical cost includes work-in-progress at March 31, 2010 totaling $18,829 and is comprised of systems development and enhancements (2009 - $18,466).

NOTE 7 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts are met.

	2010	2009
Obligations under operating leases, contracts and programs	$ 27,805	$ 42,700
	$ 27,805	$ 42,700

Estimated payment requirements for each of the next five years and thereafter are as follows:

	In thousands
2010 -11	18,073
2011 -12	4,850
2012 -13	4,882
2013 -14	-
Thereafter	-
	$27,805

NOTE 8 CONTINGENT LIABILITIES

At March 31, 2010 the Ministry is a defendant in eleven legal claims (2009 – eleven claims). These claims have specified amounts totaling $24.3 million (2009 - $23.7 million). Ten claims amounting to $19.3 million are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

At March 31, 2010 trust funds under administration were as follows:

	2010			2009
	Total Assets	Total Liabilities	Net Assets	Net Assets
Employment Standards Trust Fund	$964	-	$964	$ 786
Temporary Foreign Workers Trust Fund	-	-	-	3,172
	$964	-	$964	$3,958

NOTE 10 PAYMENTS UNDER AGREEMENT

The Ministry has entered into an agreement with an employer to pay amounts due to Temporary Foreign Workers and is holding funds on behalf of the employer. The funds are being held in the General Revenue Fund and are recorded as a payment under agreement liability in the Ministry's accounts.

NOTE 11 BENEFIT PLANS
(in thousands)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $15,480 for the year ending March 31, 2010 (2009 – $13,470).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 – $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 – 1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 – $7,111).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010 the Bargaining Unit Plan reported an actuarial deficiency of $8,335 (2009 - deficiency $33,540) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,431 (2009 – deficiency $1,051). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 12 COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

NOTE 13 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister and the Senior Financial Officer.

SCHEDULE TO FINANCIAL STATEMENTS **Schedule 1**
Revenues
Year ended March 31

(in thousands)

	2010		2009
	Budget	Actual	Actual
Transfers from the Government of Canada			
Canada Social Transfer	$ 100,638	$ 102,196	$ 101,353
Labour Market Development Agreement Benefit	190,369	238,557	146,905
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Canadian Agriculture Skills Services	-	-	2,327
Federal Community Development Trust	10,000	7,938	5,000
Services to On-Reserve Status Indians	274	269	290
Francophone Initiatives	650	650	4,330
Other transfers	550	562	556
	327,671	375,362	285,951
Internal Government Transfers			
Transfer from Lottery Fund	11,987	11,987	11,987
Premiums, Fees and Licences			
Various	564	681	723
	12,551	12,668	12,710
Other Revenue			
Refunds of Previous Year Expenditures	3,100	5,209	2,977
Workers' Compensation Appeals	10,162	8,184	8,486
Occupational Health and Safety Transfer	27,100	24,843	21,750
Other	339	(953)	396
	40,701	37,283	33,609
	$ 380,923	$ 425,313	$ 332,270

SCHEDULE TO FINANCIAL STATEMENTS
Credit or Recovery
Year ended March 31

Schedule 2

	(in thousands) 2010		
	Authorized	**Actual**	**(Shortfall) Excess** [1]
Workplace Health and Safety [a]	$27,100	$24,843	($2,257)
Francophone Secretariat[b]	650	650	-
	$27,750	$25,493	($2,257)

(1) The revenue and expense related to credit or recovery initiatives are included in the Ministry's revenue and expense in the statements of operations. Shortfall is deducted from the current year's budget, as disclosed in Schedules 4 and 5 to the financial statements.

(a) Workplace Health and Safety Regional Services recovery, under the agreement with the Workers' Compensation Board, is for the purpose of defraying costs of administering the *Occupational Health and Safety Act*.

(b) The Government of Canada provided funding to the Francophone Secretariat under the Canada-Alberta Cooperation Agreement to promote the official languages.

SCHEDULE TO FINANCIAL STATEMENTS
Expense Directly Incurred - Detailed by Object
Year ended March 31

Schedule 3

	(in thousands) 2010 Budget	2010 Actual	2009 Actual
Voted			
Salaries, Wages and Employee Benefits	$ 176,317	$ 178,828	$ 171,039
Supplies and Services	165,637	164,315	160,106
Supplies and Services from Shared Service Support Arrangements with Related Parties [a]	3,988	2,748	3,005
Grants	662,929	825,003	638,240
Financial Transactions and Other	52	142	111
Amortization of Tangible Capital Assets	3,438	2,804	1,753
Total Voted Expenses Before Recoveries	1,012,361	1,173,840	974,254
Less Recovery from Shared Service Support Arrangements with Related Parties [b]	(1,473)	(926)	(1,578)
	$ 1,010,888	$ 1,172,914	$ 972,676
Statutory			
Valuation Adjustments (Note 6)			
Provision for Vacation Pay and Doubtful Accounts	$ 24	$ 509	$ 2,338

[a] The Ministry purchases financial and administrative support services from the Ministries of Education, Advanced Education and Technology, Justice and Attorney General and Seniors and Community Supports.

[b] The Ministry provides human resources, information technology, financial and other administrative support services to the Ministries of Children and Youth Services, Advanced Education and Technology, Seniors and Community Supports and Service Alberta. Costs incurred for these services are recovered from these ministries.

SCHEDULE TO FINANCIAL STATEMENTS Schedule 4
(in thousands)
Budget
Year ended March 31

	2009-2010 Estimates	Adjustment[a]	2009-2010 Budget	Authorized Supplementary[b]	2009-2010 Authorized Budget
Revenue					
Transfer from the Government of Canada	$ 327,671	$ -	$ 327,671	$ 51,774	$ 379,445
Internal Government Transfers[a]	11,987	-	11,987	-	11,987
Premiums, Fees and Licences	564	-	564	-	564
Other Revenue	40,701	-	40,701	-	40,701
	380,923	-	380,923	51,774	432,697
Expenses - Directly Incurred:					
Voted Expenses					
Ministry Support Services	21,901	-	21,901	-	21,901
Employment	794,748	-	794,748	186,720	981,468
Labour Standards and Workplace Safety	42,169	-	42,169	(477)	41,692
Immigration	83,732	-	83,732	(4,642)	79,090
Health Workforce Development	45,000	-	45,000	(4,850)	40,150
Federal Community Development Trust	10,000	-	10,000	-	10,000
Labour Relations Board	3,176	-	3,176	-	3,176
Workers' Compensation Appeals	10,162	-	10,162	-	10,162
Credit or Recovery Shortfall	-	(2,257)	(2,257)	-	(2,257)
	1,010,888	(2,257)	1,008,631	176,751	1,185,382
Statutory Expenses					
Valuation Adjustments					
Provision for Vacation Pay	24	917	941	-	941
	1,010,912	917	1,009,572	176,751	1,186,323
Net Operating Results	$ (629,989)	$ (1,340)	$ (628,649)	$ (124,977)	$ (753,626)
Capital Investment	$ 4,468	$ -	$ 4,468	$ -	$ 4,468

[a] Adjustments reflect the January 20, 2010 Treasury Board approval pursuant to section 24(1)(c) of the *Financial Administration Act.*

[b] Supplementary estimates received Royal Assent on March 1, 2010.

SCHEDULE TO FINANCIAL STATEMENTS Schedule 5

(in thousands)

Comparison of Expenses - Directly Incurred, EIP and Capital Investment, Statutory Expenses, and Non-Budgetary Disbursements by Element to Authorized Budget

Year ended March 31

	2009-2010 Estimate	Adjustment[a]	Authorized Supplementary[b]	2009-2010 Authorized Budget	2009-2010 Actual	Unexpended (Over Expended)
Voted Expenses and Equipment and Inventory Purchases						
Program 1 - Ministry Support Services						
1.0.1 Minister's Office	$ 516	$ -	$ -	$ 516	$ 513	$ 3
1.0.2 Deputy Minister's Office	605	-	-	605	603	2
1.0.3 Strategic Corporate Services						-
Operating Expense	15,723	-	-	15,723	14,457	1,266
Equipment and Inventory Purchases	578	-	-	578	719	(141)
1.0.4 Human Resource Services	4,346	-	-	4,346	4,649	(303)
1.0.5 Communications	711	-	-	711	503	208
	22,479	-	-	22,479	21,444	1,035
Program 2 - Employment						
2.1.1 Program Support and Delivery						-
Operating Expense	134,821	-	4,632	139,453	139,097	356
Equipment and Inventory Purchases	3,020	-	-	3,020	3,226	(206)
2.1.2 Child Support Services	5,536	-	-	5,536	5,652	(116)
2.1.3 Francophone Secretariat	1,184	-	-	1,184	1,151	33
2.2.1 Youth Connections	7,585	-	(86)	7,499	7,248	251
2.2.2 Career Development Services	53,126	-	6,893	60,019	66,557	(6,538)
2.2.3 Basic Skills and Academic Upgrading	18,820	-	8,656	27,476	25,055	2,421
2.2.4 Disability Related Employment Supports	14,759	-	(523)	14,236	14,175	61
2.2.5 Summer Temporary Employment Program	2,150	-	-	2,150	1,042	1,108
Expense funded by Lotteries	7,413	-	-	7,413	7,413	-
2.2.6 Training for Work	60,187	-	12,630	72,817	73,364	(547)
2.3.1 Workforce Partnerships	11,859	-	(344)	11,515	4,689	6,826
2.3.2 Aboriginal Development Partnerships	3,931	-	(250)	3,681	6,004	(2,323)
2.4.1 Alberta Child Health Benefit	29,731	-	(497)	29,234	28,546	688
2.4.2 Alberta Adult Health Benefit	14,938	-	5,837	20,775	19,727	1,048
2.4.3 Learners	3,500	-	-	3,500	2,853	647
2.4.4 People Expected to Work or Working	21,031	-	13,630	34,661	34,922	(261)
2.4.5 People Not Expected to Work	43,122	-	6,433	49,555	51,227	(1,672)
2.5.1 Learners	70,890	-	13,720	84,610	82,056	2,554
2.5.2 People Expected to Work or Working	157,997	-	96,804	254,801	255,081	(280)
2.5.3 People Not Expected to Work	128,868	-	19,087	147,955	153,082	(5,127)
2.5.4 Widows' Pension	3,300	-	98	3,398	3,423	(25)
	797,768	-	186,720	984,488	985,590	(1,102)

SCHEDULE TO FINANCIAL STATEMENTS **Schedule 5**

(in thousands)

Comparison of Expenses - Directly Incurred, EIP and Capital Investment, Statutory Expenses, and Non-Budgetary Disbursements by Element to Authorized Budget

Year ended March 31

	2009-2010 Estimate	Adjustment[a]	Authorized Supplementary[b]	2009-2010 Authorized Budget	2009-2010 Actual	Unexpended (Over Expended)
Program 3 - Labour Standards and Workplace Safety						
3.1.1 Program Support	1,468	-	(205)	1,263	843	420
3.2.1 Mediation	1,064	-	(272)	792	850	(58)
3.2.2 Labour Relations Policy and Facilitation	1,165	-	-	1,165	835	330
3.2.3 Professions and Occupations	1,358	-	-	1,358	718	640
3.3.1 Legislation, Policy and Technical Support						
Operating Expense	7,678	-	-	7,678	7,284	394
Equipment and Inventory Purchases	870	-	-	870	909	(39)
3.3.2 Partnerships	2,344	-	-	2,344	1,687	657
3.3.3 Compliance	16,208	-	-	16,208	14,962	1,246
3.4.1 Legislation, Policy and Technical Support	3,392	-	-	3,392	2,817	575
3.4.2 Compliance	7,188	-	-	7,188	7,590	(402)
3.5.1 Medical Panels for Alberta Workers' Compensation	304	-	-	304	273	31
	43,039	-	(477)	42,562	38,768	3,794
Program 4 - Immigration						
4.1.1 Immigration Policy Support	5,247	-	(300)	4,947	4,835	112
4.2.1 Settlement and Integration Services and Enhanced Language Training						
Operating Expense	7,000	-	-	7,000	7,422	(422)
Expense funded by Lotteries	4,574	-	-	4,574	4,574	-
4.2.2 International Qualification Assessment Services	5,685	-	-	5,685	4,727	958
4.2.3 Alberta Immigrant Nominee Program						
Operating Expense	5,985	-	(1,045)	4,940	3,585	1,355
Equipment and Inventory Purchases	-	-	-	-	20	(20)
4.2.4 Labour Attraction	7,082	-	(780)	6,302	5,183	1,119
4.2.5 English as an Additional Language	13,859	-	(777)	13,082	12,455	627
4.2.6 Bridging Program	6,800	-	(1,563)	5,237	3,660	1,577
4.2.7 Living Allowance for Immigrants	27,500	-	(177)	27,323	24,672	2,651
	83,732	-	(4,642)	79,090	71,133	7,957
Program 5 - Health Workforce Development						
5.0.1 Health Workforce Development	45,000	-	(4,850)	40,150	41,840	(1,690)
	45,000	-	(4,850)	40,150	41,840	(1,690)
Program 6 - Federal Community Development Trust						
6.0.1 Federal Community Development Trust	10,000	-	-	10,000	7,938	2,062
	10,000	-	-	10,000	7,938	2,062
Program 7 - Labour Relations Board						
7.0.1 Labour Relations Board	3,176	-	-	3,176	2,976	200
	3,176	-	-	3,176	2,976	200
Program 8 - Workers' Compensation Appeals						
8.0.1 Appeals Commission for Alberta Workers' Compensation						
Operating Expense	10,162	-	-	10,162	8,099	2,063
Equipment and Inventory Purchases	-	-	-	-	97	(97)
	10,162	-	-	10,162	8,196	1,966
Credit or Recovery Shortfall	-	(2,257)	-	(2,257)	-	(2,257)[c]
Total Voted Expenses and Equipment and Inventory Purchases	$ 1,015,356	(2,257) $	176,751 $	1,189,850 $	1,177,885 $	11,965
Program Operating Expense	1,010,888	(2,257)	176,751	1,185,382	1,172,914	12,468
Program Equipment and Inventory Purchases	4,468	-	-	4,468	4,971	(503)
	$ 1,015,356	(2,257) $	176,751 $	1,189,850 $	1,177,885 $	11,965
Statutory Expenses						
Valuation Adjustments	24	917	-	941	509	432
Total Statutory Expenses	$ 24	$ 917 $	- $	941 $	509 $	432

[a] Adjustments reflect the January 20, 2010 Treasury Board approval pursuant to section 24(1) (c) of the *Financial Administration Act*.

[b] Supplementary estimates received Royal Assent on March 1, 2010.

[c] Unexpended amount does not include dedicated revenue lapses of $7,644 in the Labour Market Agreement, Federal Community Development Trust, Appeals Commission for Alberta Workers' Compensation and the Medical Panels for Alberta Workers' Compensation.

SALARY AND BENEFITS DISCLOSURE
Year ended March 31

Schedule 6 (a)

	2010				2009
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash	Total	Total
Senior Official					
Deputy Minister[4]	$ 264,069	$ -	$ 62,902	$ 326,971	$ 357,254
Executives					
Assistant Deputy Ministers					
Delivery Services	185,117	-	44,501	229,618	251,854
Immigration	156,851	7,828	37,512	202,191	202,948
Workforce Supports	151,713	-	36,988	188,701	187,618
Labour Standards and Workplace Safety	166,055	-	39,292	205,347	237,436
Strategic Corporate Services	185,117	-	44,501	229,618	255,575

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2010.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in benefits and allowances figures.

SALARY AND BENEFITS DISCLOSURE
LABOUR RELATIONS BOARD
Year ended March 31

Schedule 6 (b)

	2010				2009
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash	Total	Total
Senior Official					
Chair[4][5]	$ 251,818	$ -	$ 9,251	$ 261,069	$ 283,435
Executives					
Vice Chair[5]	153,891	-	3,049	156,940	160,172
Vice Chair	93,756	-	25,871	119,627	186,585
Vice Chair	88,355	-	6,330	94,685	65,771
Executive Director	151,545	-	20,188	171,733	191,450

Prepared in accordance with Treasury Board Directive 12/98 as amended.

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include vacation payouts. There were no bonuses paid in 2010.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

[4] Automobile provided, no dollar amount included in benefits and allowances figures.

[5] Salary includes pay in lieu of benefits.

SALARY AND BENEFITS DISCLOSURE
WORKERS' COMPENSATION APPEALS
Year ended March 31

Schedule 6 (c)

	2010				2009
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash	Total	Total
Senior Officials					
Chief Appeals Commissioner[4]	$ 200,220	$ -	$ 48,024	$ 248,244	$ 267,805
Full Time Commissioners[5]	2,347,368	-	296,046	$ 2,643,414	3,010,429
Temporary Appeals Commissioners	1,256,519	-	-	$ 1,256,519	1,406,375

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts. There were no bonuses paid in 2010.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in benefits and allowances figures.

(5) Commissioners consist of sixteen full time individuals.

Related Party Transactions **Schedule 7**
Year ended March 31
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licenses, and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2010	2009
Revenues		
Internal Government Transfers	$11,987	$11,987
Expenses - Directly Incurred		
Other Services	$ 2,727	$ 2,373
Tangible Capital Assets Transferred In	$ 184	-

The above transactions do not include shared service support arrangement transactions disclosed in Schedule 3.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not included in the financial statements, but are disclosed in Schedule 8.

	Other Entities	
	2010	2009
Expenses - Incurred by Others		
Accommodation	$ 23,144	$ 20,255
Legal Services	619	651
Other Services	10,810	10,817
	$ 34,573	$ 31,723

SCHEDULE TO FINANCIAL STATEMENTS **Schedule 8**

Allocated Costs

Year ended March 31

(in thousands)

Program	2010						2010	2009
	Directly Incurred	Expenses - Incurred by Others			Valuation Adjustments (5)		Total	Total
	Expenses	Accommodation Costs	Legal Services	Other Services	Doubtful Accounts	Vacation Pay	Expenses	Expenses
	(1)	(2)	(3)	(4)	(6)	(7)		
Ministry Support Services	$ 20,725	$ 1,885	$ 277	$ 193	$ (62)	$ (113)	$ 22,905	$ 23,820
Employment	982,363	16,136	171	9,051	-	346	1,008,067	822,310
Labour Standards and Workplace Safety	37,859	3,053	115	343	-	57	41,427	41,589
Immigration	71,113	1,363	-	655	-	225	73,356	62,184
Health Workforce Development	41,840	-	-	386	-	-	42,226	39,754
Federal Community Development Trust	7,938	-	-	75	-	32	8,045	4,726
Labour Relations Board	2,976	236	31	32	-	14	3,289	3,337
Workers' Compensation Appeals	8,100	471	25	75	-	10	8,681	9,017
	$ 1,172,914	$ 23,144	$ 619	$ 10,810	$ (62)	$ 571	$ 1,207,996	$ 1,006,737

(1) Expenses as per Statements of Operations excluding valuation adjustments.

(2) Costs shown for Accommodation in Schedule 7 have been allocated based on the average cost per square meter of all Government of Alberta accomodation and allocated to the Ministry based on usage.

(3) Costs shown for Legal Services in Schedule 7 have been allocated based on hours of work performed.

(4) Costs shown for Other Services in Schedule 7 have been allocated based on value of services provided.

(5) Valuation adjustments as per Statements of Operations.

(6) Provision for doubtful accounts have been allocated based on actual provision relating to the program.

(7) Provision for vacation pay has been allocated based on actual liability recorded.

Financial Statements: Workers' Compensation Board

The Workers' Compensation Board – Alberta (WCB) releases its own Annual Report, which can be found at http://www.wcb.ab.ca/public/reports_plans.asp; however, E&I is required to include WCB financial statements as supplemental information. The following information from WCB's 2009 Annual Report is included in this section:

- Management Discussion and Analysis of 2009 Financial Statements and Operating Results
- Balance Sheet
- Statement of Operations
- Statement of Comprehensive Loss
- Statement of Changes in Funded Position
- Statement of Cash Flows
- Notes to the Financial Statements
- Glossary

Management Discussion and Analysis of 2009 Financial Statements and Operating Results

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect current and future performance of the Workers' Compensation Board – Alberta (WCB-Alberta, WCB). The MD&A, prepared as at April 16, 2010, should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2009.

Forward-looking statements

This report contains forward-looking statements about certain matters that are by their nature subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, WCB objectives, strategies, targeted and expected financial results, and the outlook for WCB's business and for the Alberta and global economies. Risks and uncertainties include, but are not limited to, changing market, industry and general economic factors or conditions; changes in legislation affecting WCB policies and practices; changes in accounting standards; the ability to retain and recruit qualified personnel; and other risks, known or unknown. Some are predictable or within WCB control; many are not. The reader is hereby cautioned to not place undue reliance on these forward-looking statements.

Unless otherwise indicated, all amounts shown are in millions of Canadian dollars.

Business Overview

Corporate profile

Founded in 1918, WCB-Alberta is a not-for-profit organization with a legislative mandate under the *Workers' Compensation Act* (the Act) to administer the workers' compensation system for the province of Alberta. While accountable to the Minister of Employment and Immigration, WCB is not a provincial government department or Crown corporation, but is independently funded and operated as an insurance enterprise. Through the payment of premiums, over 137,000 employers fund the system, which covers more than 1.73 million workers.

WCB-Alberta's mandate

In Canada, workers' compensation is a no-fault disability insurance system that protects both employers and workers against the economic impact of work-related injuries and occupational diseases. Based on the Meredith Principle,[1] the system covers injured workers for lost employment income and provides health care, rehabilitation and other services required because of a work-related injury, while employers are shielded from litigation. This system brings economic stability to the workplace through collective liability that minimizes the risks and expenses of injury. To achieve these objectives, the Act established the Accident Fund and imposed a statutory obligation on WCB to ensure that it be fully funded.

At the highest and simplest level, WCB is involved in two significant and complementary business activities: customer operations and financial management.

Customer operations provide disability insurance for workplace injuries. Key business processes include assessment and collection of premiums from employers, payment of compensation benefits to injured workers and return-to-work services.

Financial management uses an integrated risk-based approach to managing assets and liabilities and generating an adequate return on invested assets to pay for claim-related obligations. Key business processes include strategic financial planning, rate setting, investment management, claim benefit liability valuation, financial risk management and financial-performance reporting. Strong financial management not only ensures security of benefits for workers and fair premiums for employers, but also provides appropriate tools for evaluating how effectively WCB is meeting its financial obligations.

. Refer to the Glossary for an outline of the concepts.

WCB vision and mission

The core principles set out in WCB's vision and mission shape the corporate beliefs and values that guide the organization's operating philosophy:

Vision

Albertans working — a safe, healthy and strong Alberta

Mission

WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

WCB's strategic vision is to make a positive and lasting impact on the people, society and economy of Alberta through what it does, while the mission statement describes the operating guidelines for how it intends to conduct business.

2009 Financial Performance

OPERATING HIGHLIGHTS

Once again, the major themes underscoring WCB-Alberta's financial results for the year centre around the Alberta economy and the global capital markets. WCB's financial position was positively impacted by the rebound in equity and corporate bond prices in 2009, while customer operations continued their commitment to service excellence and delivered outcomes that contributed positively to the financial performance for the year. The important themes that underscore the 2009 performance include the following:

- Total revenue of $1,129.7 million offset by total expenses of $822.9 million yields an operating surplus of $306.8 million, an increase of 159.7% over the $513.8 million deficit in 2008. These operating results contributed to the Funded Position of $1,433.2 million, or 128.4%.

- Total premium revenue of $908.5 million is down 8.6% from $993.8 million in 2008, reflecting a decline in insurable earnings in 2009 and a constant average provisional premium rate of $1.32 per $100.00 of insurable earnings in both 2009 and 2008.

- Investment revenue is up significantly in 2009 at $220.0 million, compared to a $421.3 million loss in 2008, due to realized gains on equities, non-government bonds and currency hedging. The rebound in capital markets led to a return of 13.8% for WCB's investment portfolio for 2009, up considerably from the 2008 return of -15.1%.

- Total claim costs of $704.7 million decreased $266.9 million, or 27.5%, from the previous year due primarily to actuarial adjustments that decreased future liability amounts for health care and wage replacement-related benefits. Effective case management and the ongoing focus on return-to-work outcomes continued to produce impressive results on the cost side. Average claim duration did increase in 2009, ending the year at 35.2 days, due primarily to fewer modified work opportunities during the year and a continual decline of claims receiving benefits. Claim volume of 140,200 is down 16.4% from 2008, a substantially larger drop than the provincial employment decline of 1.4%.[ii] Time-lost claim volume, a subset of total claim volume, also saw a related decline of 17.4% during the year. Administration and other expenses of $118.2 million brought total expenses to $822.9 million.

[ii] Alberta Employment and Immigration, Labour Force Statistics – December 2009.

The table below summarizes the major contributors to WCB's operating surplus of $306.8 million.

($ millions)	2009 Budget	2009 Actual	2008 Actual
Premiums			
Surplus premium revenue resulting from the actual premium rate collected of $1.24 (2008 – $1.33) being higher than the required premium rate of $1.16 (2008 – $1.21), based on insurable earnings	$ 11.6	$ 55.3	$ 86.0
Investments			
Net (deficiency) excess of investment income over the interest requirement of $257.9 million (2008 – $241.8 million) on the claim benefit liability	(255.9)	(37.9)	(663.1)
Claim benefit liabilities			
Change in health care inflation and utilization assumption	-	134.4	-
Losses due to changes in actuarial methods and assumptions and policy changes	-	(37.7)	(52.6)
Actuarial gains due to claims experience	26.7	194.9	110.4
Other			
Other revenue (expense) items	0.3	(2.2)	5.5
Operating surplus (deficit)	$ (217.3)	$ 306.8	$ (513.8)

In its simplest terms, the funding model for WCB operates on the premise that in a given year, premiums cover all operating costs on a break-even basis, while investment returns are expected to cover the annual interest requirement on the liability. Operating surpluses or deficits arise when actual costs and returns are different from forecasted expectations, which rely on economic and business assumptions based on available information at a point in time. Given the volatile performance of local and global economies, forecasting is subject to a great deal of uncertainty and risk. Consequently, actual results will likely differ significantly from even the most rigorously developed plans.

Customer Operations

PREMIUMS

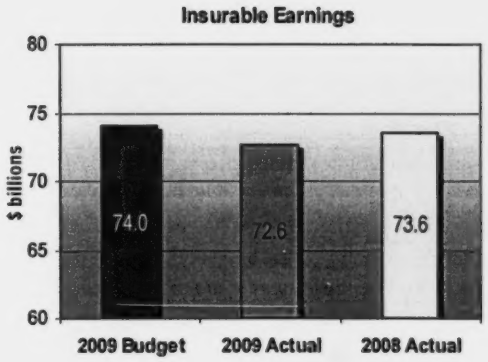
Insurable earnings

↘ $1.4 billion (-1.9%) under budget

Alberta's economy felt the impact of the recession in 2009, which applied downward pressure on payrolls, decreasing 2009 insurable earnings to $72.6 billion, 1.9% lower than the budget of $74.0 billion. Although insurable earnings were higher in four sectors compared to budget, this was offset by lower than budgeted insurable earnings in five other sectors.

↘ $1.0 billion (-1.4%) under prior year

Alberta employment decline and relatively low wage escalation were the primary factors for the 1.4% decrease in 2009. Manufacturing and construction sectors experienced the greatest decline with 11.9% and 11.7% decreases, respectively.



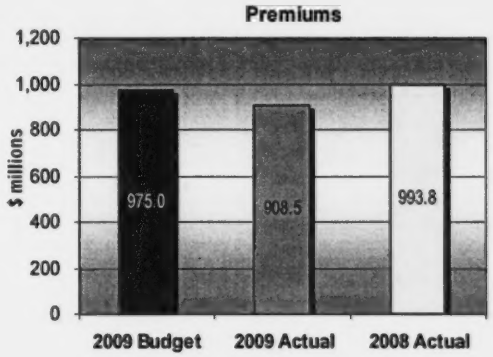
Premium revenue

↘ $66.5 million (-6.8%) under budget

The 2009 negative variance in premium revenue of $66.5 million stemmed from an overall decline in insurable earnings combined with a shift into lower-rated industries. Manufacturing led all sectors at $23.1 million, or 13.6% lower than budget, with mining/oil and gas at $20.5 million (-21.9%) and transportation following at $12.5 million (-9.7%).

↘ $85.3 million (-8.6%) under prior year

The decrease in revenue from $993.8 million to $908.5 million was due to a decrease in insurable earnings in 2009 combined with a shift in insurable earnings into lower-rated industries.



PREMIUM RATES

Total premium revenue requirements for rate-setting purposes are based on projected operating expenses for the year. Base revenue requirements are composed of fully funded costs of claims arising in the current year, administration costs related to those claims, general administration expenses for WCB operations, and transfer levies. In addition, premiums include a funding levy for the Occupational Disease Reserve (ODR) plus any special levies necessary to replenish the Accident Fund in accordance with the Funding Policy.

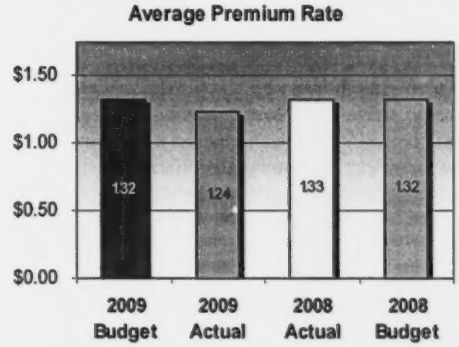
Average premium rate

↘ $0.08 (6.1%) under budget

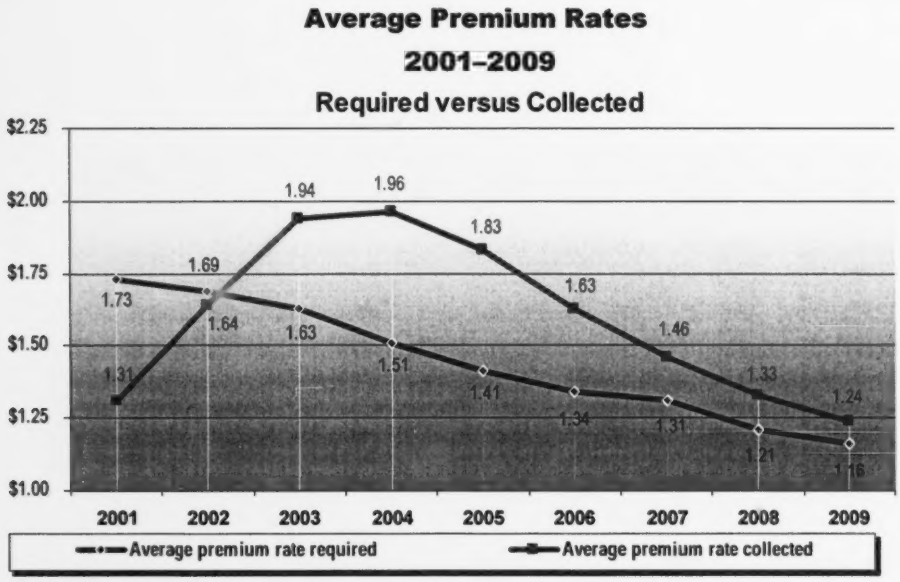
Lower wage growth, a decrease in provincial employment and a shift of the workforce into lower-rated industries all contributed to an average actual collected rate of $1.24, which was $0.08 below budget.

- No budgeted change from prior year

The average budgeted premium rate remained constant in 2009 at $1.32. The projected increases in operating costs in 2009 were to be offset by the projected slight increase in insurable earnings over 2008.



The chart presents a nine-year trend comparison of required versus collected premium rates. In 2001, the shortfall in the required rate resulted from subsidizing the rates through excess investment returns. Current and future premium rates are no longer discounted, as the Funding Policy stipulates that the required rate and resulting revenue cover the current-year fully funded claim costs.



The 2009 premium requirement and rate were based on projected fully funded claim costs and insurable earnings using the best information available in early Q4 2008. Better-than-expected cost performance continued to keep the required rate down below the collected rate for fiscal 2009. The surplus from cost performance offset the deficit from premium revenue and had a positive contribution, which increased the overall operating surplus.

CLAIM COSTS

Claim costs are an estimate of current and future costs arising from compensable injuries occurring in 2009, the future costs to administer these claims, and claim benefit liability adjustments relating to prior years' injuries.

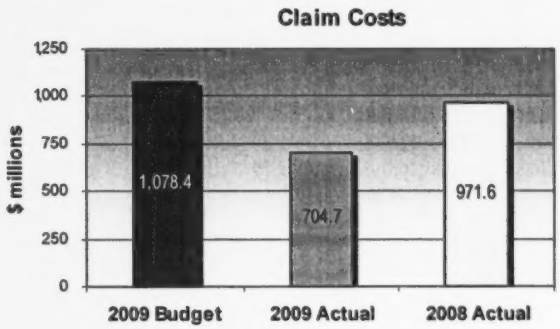
Claim costs

↘ $373.7 million (34.7%) under budget

Dropping claim volume continued at an accelerated pace in 2009. A reduction in the actuarial assumption for health care cost escalation and favourable adjustments to the claim benefit liability resulted in claim costs considerably lower than expected.

↘ $266.9 million (27.5%) under prior year

The effects of lower time-lost claim (TLC) volume, combined with favourable actuarial adjustments to the claim benefit liability more than offset the effects of wage growth and other inflationary costs.



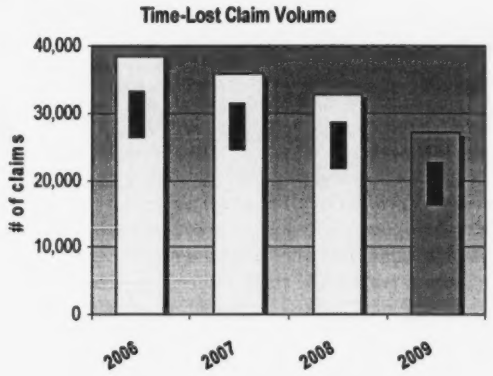
Claim benefit costs

Processed claim benefit costs for 2009 were slightly below expectations. Transaction-year claim costs were lower than expected by $15.3 million due primarily to lower claim volume. Changes in the methods and assumptions relating to the claim benefit liability generated a positive budget variance of $97.4 million, and actuarial gains due to claims experience totalled $194.9 million. A lower provision for future costs of current-year claims of $65.4 million and other cost savings of $0.7 million, combine to produce the overall positive budget variance of $373.7 million.

Claim volume

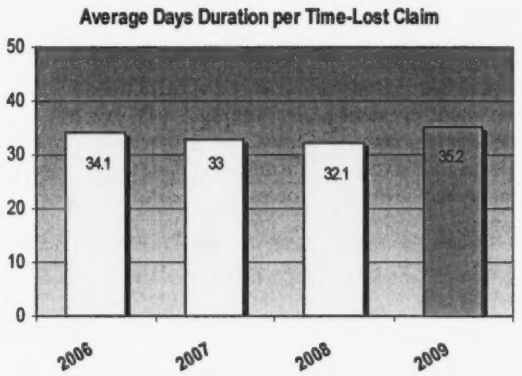
Time-lost claim (TLC) volume fell from 32,800 in 2008 to 27,100 in 2009, a drop of 17.4%.

The significant drop in TLCs coincided with a decline of approximately 100,000 covered workers. The TLC projected rate continued to decline to 1.6 claims per 100 workers, a decrease of 11.8%. Similarly, the disabling-injury rate (TLC + modified-work-only cases = disabling injuries) dropped by 20.8%, to 2.7 disabling injuries per 100 workers.



Claim duration

Claim duration (average elapsed time from injury to return to work) increased for the first year since 2001, to 35.2 days, up from 32.1 days in 2008. This increase is due to fewer modified work opportunities during the year and a continual decline of claims receiving benefits (which produces a lower denominator in the calculation of average days).



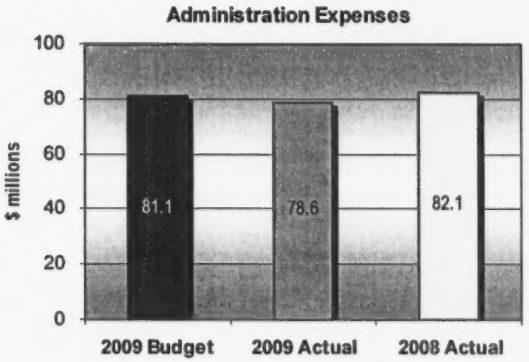
ADMINISTRATION

↘ $2.5 million (3.1%) under budget

Administration came in under budget, due mainly to effective expenditure management.

↘ $3.5 million (4.3%) lower than prior year

The decrease over 2008 reflects a higher distribution of costs to claim administration in 2009. Administration expenses exclude claim-related administration costs (2009 – $83.3 million, 2008 – $72.9 million) that are included in claim costs.



Financial Management

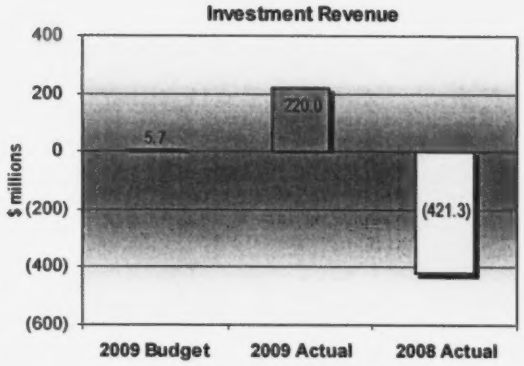
Investment revenue

↗ $214.3 million (3,759.6%) over budget

Budgeted investment revenue assumed large unrealized losses at the end of 2008. Fewer losses, and some gains were actually realized during the year as capital markets recovered faster than forecast.

↗ $641.3 million (152.2%) over prior year

The primary contributor to the 2009 budget variance and increase from 2008 was the impact of a recovery in equity markets and returns in the bond market in 2009.



INVESTMENTS

Investment returns played a key role in WCB's 2009 financial results. The following discussion provides an overview of the economic and market forces that had a direct impact on WCB's investment portfolio and returns.

Capital markets overview

The financial crisis began in 2007 and carried on through 2008, then into 2009. In March, spurred by unprecedented actions by governments and central banks, the credit markets began to open up, and the equity market began to price in an eventual economic recovery.

From the lows reached in mid-March, equity and credit markets rose steadily through the rest of the year with Canadian and U.S. equities rising 55% and 65% respectively. Emerging markets led the way, rising 104% from mid-March.

Real estate was under pressure in Canada as the economic slowdown resulted in increased vacancy and lower lease rates. The commercial real estate market in Canada has fared much better than in the U.S. or Europe due to stable ownership, mostly institutional investors, and more disciplined expansion over the last economic cycle. There was some modest impact on valuations and some attractive opportunities for adding quality properties to portfolios.

Commodity prices fell sharply in the financial crisis, but like equities and credit, prices moved up through the last nine months of the year. Demand increased as emerging economies, particularly China, recovered faster.

The bond market provided returns in line with expectations. The Canadian DEX Universe Bond Index was up 5.4% for the year. This return, however, masks the huge divergence in returns between government bonds and non-government bonds. The Canadian federal government index returned -0.21% while the corporate index returned 16.26%. At December 31, 2009, the yield to maturity on the Canadian federal index was only 2.62%. At this level there is a very high probability of higher yields and lower prices for government bonds going forward.

For further information on WCB's investments, the 2009 Annual Investment Report can be found online at www.wcb.ab.ca.

Portfolio performance

Market returns

The portfolio earned a nominal market rate of return of 13.8% for 2009 (0.1% above the policy benchmark) and 2.7% for the four-year period ended December 31, 2009 (0.4% below the benchmark). The primary goal of the investment portfolio is to earn a real rate of return (nominal rate less inflation) that meets or exceeds the actuarial required real rate of return. On this basis, the real rate of return for 2009 of 13.9% (nominal rate of 13.8% less inflation of -0.1%) was well above the actuarial required rate of 3.0%.

Benchmark returns

The benchmark return is composed of benchmark index returns for each asset class, weighted by the policy asset mix. Performance versus the benchmark is a relative measure of success in implementing the investment program through active management.

The 2009 Annual Investment Report at www.wcb.ab.ca contains a detailed analysis of portfolio returns.

INVESTMENT POLICY

WCB's Investment Policy contains the goals, objectives and target asset mix for the portfolio. It also describes the permitted investments, constraints and controls for management of the portfolio. The underlying investment philosophy emphasizes minimizing volatility while maximizing returns. The desired outcome is to generate investment returns over the long term that exceed the actuarial required real rate of return (currently 3.0%) with greater certainty. The Investment Policy was amended in November 2009 with changes aligned with the philosophy stated above. The policy contains revised long-term asset mix targets with a lower allocation to equities and a higher allocation to inflation-sensitive assets.

Portfolio management

Asset mix

Asset mix is the primary driver of portfolio risk and return, with targets defined in the Investment Policy. As at December 31, 2009, the investment portfolio complied with the Investment Policy in all areas except for the allocation to real estate. The actual allocation to real estate was 6.9%, slightly below the policy minimum of 7.0%. The strong return of the portfolio raised the total value while real estate stayed stable in dollar terms; thus the percentage allocation decreased slightly.

2009 Asset Mix versus Policy Mix

Asset Class	Actual Asset Mix [1]	Policy Asset Mix	Long Term Target Mix
Cash and cash equivalents	1.6%	1.0%	3.0%
Conventional bonds and mortgages	38.4%	39.0%	35.0%
Real return bonds	7.7%	8.0%	8.0%
Real estate	6.9%	8.0%	12.0%
Canadian equity	10.4%	10.0%	10.0%
Global equity	29.2%	30.0%	20.0%
Emerging-markets equity	5.4%	4.0%	5.0%
Infrastructure	0.4%	0.0%	7.0%
	100.0%	100.0%	100.0%

[1] Asset mix percentages reflect the effects of derivative contracts utilized to adjust the portfolio asset mix. Derivatives are used as a portfolio management tool to achieve desired exposures without actually holding cash market securities directly.

Use of derivatives

WCB's investment portfolio includes derivatives that are used to manage asset exposures. Derivative contracts are undertaken to provide market exposure, to replicate permitted investments, or as part of a hedging strategy to reduce portfolio risk. They are used only within stringent guidelines and controls, and not

for speculative reasons. Derivative positions are monitored for compliance with the Investment Policy. Compliance is reported to senior management and WCB's Finance Committee on a quarterly basis.

The investment portfolio includes passive currency hedges to mitigate foreign-currency exposure. Fifty per cent (+/- 25%) of the foreign-currency exposure assumed through the global-equity asset class is hedged back to Canadian dollars, while 100% of the global-fixed-income mandate is hedged. Hedging transactions are executed through an external overlay manager independent of the underlying foreign-equity managers, and the performance impact is clearly separated and monitored.

CLAIM BENEFIT LIABILITIES

At the end of each fiscal year, WCB determines its claim benefit liabilities for all injuries that have taken place up to that date. These liabilities represent the actuarial present value of all future benefit and related administration costs, excluding costs attributable to self-insured employers. As at December 31, 2009, claim benefit liabilities aggregated to $4,907.0 million, an increase of $1.3 million over 2008.

Significant changes in liabilities

The overall $1.3 million increase in the liability is attributable to the following:

($ millions)		
Provision for future costs of current-year injuries	$	520.3
Interest requirement on the liability		257.9
Benefit payments for prior years' injuries		(485.3)
Policy changes		0.7
Changes in actuarial methods and assumptions		(97.4)
Claims experience gains		(194.9)
	$	1.3

Actuarial methods and assumptions

One policy change affected the liability for 2009. This policy change increased travel and accommodation allowances. The change produced an increase of $0.7 million to the liability.

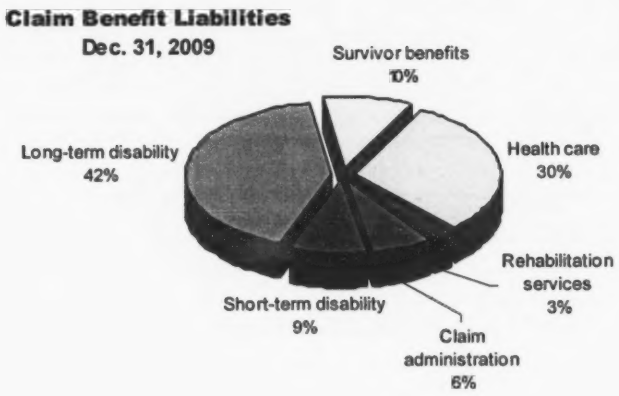
The following changes in the actuarial methods and assumptions decreased the liability by $97.4 million:

- Health care inflation and utilization rate from 6.75% to 6.00% ($134.4 million decrease)
- Health care benefit adjustments ($60.3 million increase)
- New incidence rates for outstanding economic loss payments ($59.5 million decrease)
- Updates to other benefit category assumptions ($36.2 million increase)

Impact of claims experience

Differences between actual experience and what was expected in the prior valuation result in experience losses (which increase the liability) or gains (which decrease the liability). The impact of actual claims experience resulted in an overall gain of $194.9 million that includes the following areas:

($ millions)		
Actual cost-of-living and inflation different than expected	$	82.0
Actual claim costs lower than expected		86.3
Other experience gains		26.6
	$	194.9



Sensitivity of actuarial assumptions

Claim benefit liabilities are estimated primarily using actuarial assumptions for the real discount rate, the claim incidence rate, the cost escalation rate and benefits duration. Because of the large values involved, the liability estimates are highly sensitive to even small changes in these actuarial assumptions.

Details of the changes in claim benefit liabilities during 2009, as well as further discussion of the sensitivity of actuarial assumptions, can be found in Note 11, Claim Benefit Liabilities, in the accompanying financial statements and notes.

FUNDING POLICY

The Funding Policy is the primary instrument through which WCB manages its capital or fund structure, and provides direction for setting premium rates and optimum funding level. The Funding Policy can evolve—through rigorous management review, stakeholder consultation and Board of Director approval—to address changing economic and financial circumstances. The vision is to maintain a Funding Policy, supported by comprehensive asset-liability analysis, which responds dynamically to changing economic conditions. Details of the Funding Policy may be found under WCB Information in the Policy and Legislation section of WCB's website at www.wcb.ab.ca.

Funding principles and objectives

The strategic aim of funding and investment policies is to strive for balance between financial risk (i.e., volatility), investment returns and funding stability. Specifically, the Funding Policy embodies these financial objectives:

- Minimize the risk of becoming unfunded.
- Minimize cost volatility to employers.
- Charge premiums that reflect the cost of current-year claims.

The funding mechanisms that evolve from these objectives address those risks that may affect the financial stability of WCB–primarily investment volatility. Funding Policy rules are in place to minimize these risks, with ongoing monitoring and evaluation to ensure that they continue to respond effectively to changing economic conditions.

Funding rules

The rules guiding financial decisions under the Funding Policy include the following:

- premium-rate design based on current-year fully funded claim costs (i.e., full cost recovery with no rate subsidization or smoothing)
- minimum premium cost to employers set at 60% of industry-rated premiums
- multiple target ranges to guide funding decisions and accommodate volatility
- surplus distribution dividend or fund replenishment levy used as funding adjustment mechanisms

These rules help achieve equity and consistency in the attribution of costs among employers and ensure intergenerational equity by requiring current employers to cover the cost of current-year injuries.

Funding allocations

The Accident Fund represents all WCB assets available to discharge its legislative mandate. The allocation of assets to each of WCB's fiduciary obligations is expressed as a percentage of total liabilities as at the reporting date:

- Fully funded status is achieved when assets are sufficient for payment of all current and future compensation and related administration costs (target level: 100%).
- Assets are retained in the Fund Balance to lessen the risk of becoming unfunded and in the Occupational Disease Reserve (ODR) to provide for significant unforeseen costs related to latent occupational injury or disease.

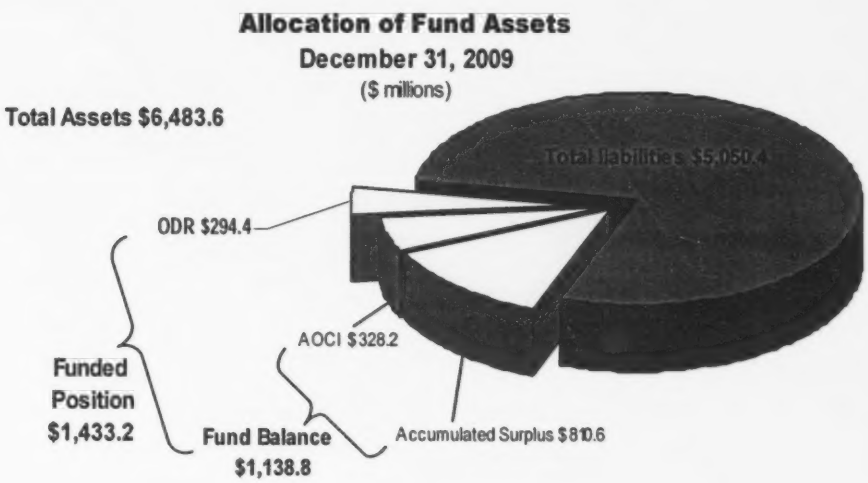
The Accident Fund is considered fully funded when it is within the Funded Ratio target range of 114% to 128%. Surplus assets exceeding the 128% funding level are available for distribution to employers as a special dividend, whereas replenishment levies would be required if assets fall below 114%.

Funded Position

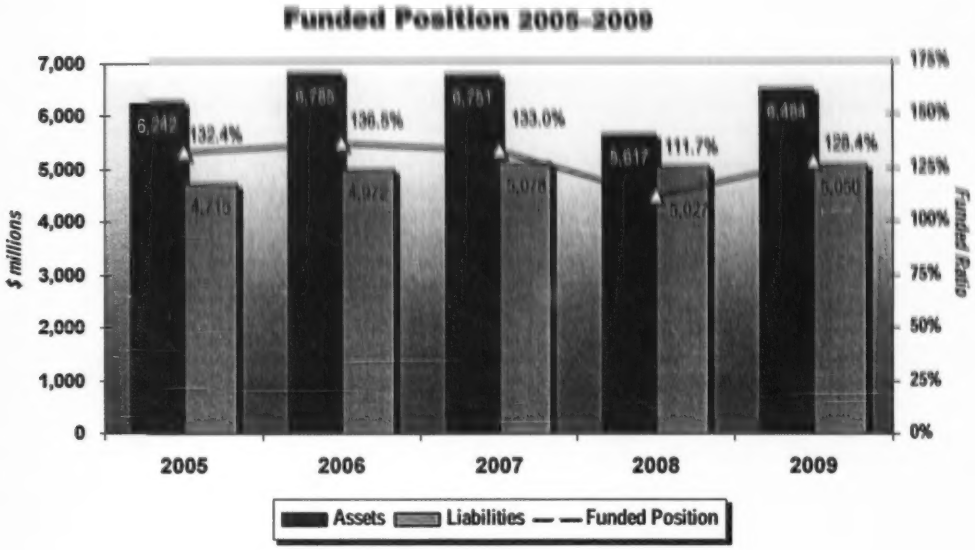
The table presents the major changes in Funded Position and the ending balance as at December 31, 2009:

($ millions)	Opening	2009 Change	Ending
Accumulated operating surplus for the year	$ 503.9	$ 306.8	$ 810.7
Occupational Disease Reserve maintenance funding	-	(0.1)	(0.1)
Accumulated operating surplus	503.9	306.7	810.6
Net unrealized (losses) gains on investments	(207.9)	536.1	328.2
Fund Balance	296.0	842.8	1,138.8
Occupational Disease Reserve	294.3	0.1	294.4
Funded Position	$ 590.3	$ 842.9	$ 1,433.2

As at December 31, 2009, the Funded Ratio (total assets to total liabilities) was 128.4%, compared to 111.7% at the end of 2008. Viewed from another perspective, WCB has total assets of $6.5 billion to cover its total estimated liabilities of $5.1 billion. This increase in Funded Ratio is the result of positive investment returns in 2009. WCB's Funded Position remains positive and is slightly above the target level recommended in the Funding Policy.



The chart below presents the Funded Position from 2005 through 2009.



Risk Management

Oversight

Under WCB's corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team, which has a mandate to identify and manage enterprise-level risk, is assisted by the Risk Management Committee, composed of a group of senior managers with responsibility for risk identification, assessment and mitigation at the operating level.

Risk Assessment

WCB has three primary processes for managing risk in the corporation. First, risk management is embedded as an inherent function of day-to-day business. Projects or changes to business processes must go through a documented risk analysis to assess risk and identify mitigation plans and controls to lessen the likelihood or impact of these risks. The second process is to complete a systematic and comprehensive risk assessment of emerging corporate risks as they develop throughout the year. Finally, WCB also completes an annual corporate risk assessment that engages departmental management teams and senior managers to develop a comprehensive organizational risk register. The executive team prioritizes those risks with the highest potential residual impact to WCB and selects a number for comprehensive risk assessment and mitigation.

Significant Risks

WCB has identified the following risk exposures that could have significant impact on the organization and its operations.

Benefit cost risk

Many of WCB's claim related benefits are subject to external factors that have potentially significant impacts on the amount and duration of related benefit costs. These risks and uncertainties are driven largely by economic conditions, such as health care inflation and utilization, and wage growth; however, other factors may arise through administrative precedents established through the appeals process, legislative changes, or from new medical findings for occupational disease, among others. All these factors add significant uncertainty to WCB's cost structure and may impose, over time, significant pressures on the funding model.

Fraud-related risk

Every year, WCB collects approximately one billion dollars in premium revenue and distributes or reserves a similar amount for claim benefits and administrative costs. The magnitude of these costs and the number of individuals and companies involved in these processes—approximately 137,000 employers, 140,000 claimants and thousands of service providers—creates inherent risk for fraud. WCB employs an extensive audit program used to monitor the organization's ability to protect against fraud and implements additional controls, as required, to strengthen WCB's management of fraud risk.

Funding risk

Managing the components of WCB's overall Funded Position (Fund Balance and ODR) is a complex process that involves forecasting, liability projection, investment management and operational performance. Although these processes are within management's influence or control, many of the assumptions used in forecasting involve significant uncertainty regarding the future. Asset-liability management is being enhanced to provide better systems, tools, processes and information to enhance forecasting, financial-planning and decision-making processes within WCB.

Investment risk

In its investment portfolio, WCB is exposed to financial risk, which includes market and credit risk, among others. Market risk is the risk that the fair value of investments and/or associated cash flows may change because of changing general economic conditions or factors specific to individual securities. Credit risk is the potential of a debt issuer or counterparty in a financial contract to default on its obligation to WCB. Details of financial risks related to investments are discussed in Note 7, Investment Risk Management, in the accompanying financial statements and notes.

Premium risk

WCB has exposure to premium risk, which is the risk that premiums set for the coming fiscal period will not be sufficient to cover the operating costs in that year. These risks and uncertainties are largely driven by provincial economic conditions, such as employment growth and wage escalation. To manage premium-pricing risk, WCB has instituted a comprehensive forecasting program that leverages widely accepted economic-forecasting sources, such as the Conference Board of Canada.

Technology risk

To support its core business processes, WCB uses a number of information systems for processing transactions and maintaining claimant and employer information. If these systems were to fail or be compromised, significant disruption to business processes and customer service could result. To mitigate technology risk, WCB maintains a business continuity plan, system controls and backup systems to prevent processing failures and provides extensive training to develop internal system expertise.

Implications of Accounting Policies and Estimates

The adoption of accounting policies in accordance with Canadian generally accepted accounting principles (GAAP) requires that management make judgments, assumptions and estimates that could significantly affect the results of operations and WCB's financial condition. The following discusses those significant accounting policies that entail significant use of judgments and estimates that may have a material effect on current and future financial statements.

Premiums

In advance of the fiscal year, and based on Funding Policy and projections in the Three-Year Plan, WCB estimates the total premium amount necessary to cover estimated claims costs, transfer levies, administration expenses and funding requirements. Because premium rates are set well in advance of revenue being realized, they reflect macroeconomic and business assumptions that will likely change before and during the fiscal period. Consequently, the premiums collected may be more or less than sufficient to cover estimated funding requirements, and the difference could be significant under dynamic business conditions.

Investments

Investment assets are financial instruments designated as available-for-sale securities, whose primary purpose is to maintain capital and generate investment income over the long term. Because WCB accounts for investments at fair value, which reflects realizable market value, this accounting policy could lead to significant volatility in the balance sheet in turbulent capital markets. Any funding ratios based on asset values would therefore be volatile as well. Details of the investment assets can be found in Note 6, Investments, in the accompanying financial statements and notes.

Derivatives

The fair value of a derivative contract is its change in value with respect to the change in the underlying security or reference index to which the contract is linked. Gains and losses on both outstanding and closed derivative contracts are recognized in income in the periods in which they arose. Since the fair value of a derivative is exposed to market changes, the underlying derivative positions could be volatile as well.

Asset capitalization and amortization

The acquisition or development costs of long-lived assets are amortized over their useful lives. Selection of applicable costs to capitalize and an estimate of the useful life of an asset both require application of professional judgment within the context of corporate policy and industry practice. Furthermore, future periods will be affected by the estimate of useful life and choice of amortization pattern, which determine the timing and amount of expense recognized in each of those future periods.

Asset impairment

Accounting standards prescribe a test for impairment whenever there is objective evidence that the current carrying value of an asset may not be recoverable, and at least annually. Although the standards provide broad guidance on when and how impairment losses should be recognized and measured, the interpretation and assessment of impairment remains a matter of professional judgment. For investment assets, management judgment comes into play in assessing the extent and severity of the decline, the risk profile and prospects of the issuer, and WCB's ability and intent to hold a particular security until anticipated recovery.

Impairment testing of non-financial assets such as property, plant and equipment and intangible assets also involves judgment in establishing the test parameters and evaluating the available evidence to support a finding of impairment. Considering market or other demand factors, future business objectives affecting expected utilization of the asset, and other relevant and objective evidence, management concludes on the likelihood of recoverability over the remaining useful life.

Valuation of claim benefit liabilities

WCB has significant obligations extending well into the future for compensation benefits to injured workers. WCB applies the actuarial present-value methodology for its claim benefit liabilities. The actuarial process projects benefit cost streams into the future and discounts them to present value using a discount rate linked to the return on investment assets funding those liabilities. Measurement uncertainty is high because assumptions regarding the amount, timing and duration of the benefit commitments and future return on assets are difficult to predict accurately and are influenced by external factors outside management's control. Consequently, the selection of one assumption over another in estimating claim benefit liabilities could have a material impact on the liability valuation.

Governance and Compliance

Legislative authority

Under the authority of the *Workers' Compensation Act*, WCB is a provincial board-governed organization that operates independently while reporting to the Alberta Minister of Employment and Immigration (the Minister).

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR) to provide reasonable assurance regarding the reliability of the entity's financial reporting and the preparation of its financial statements in accordance with generally accepted accounting principles. WCB has developed a framework and plan for the overall ICOFR program, which is anticipated to require several years to complete. The framework is based on best practices under the COSO[iii] and COBIT[iv] frameworks. The ICOFR program is assisted by WCB's Management Audit Services group and is co-ordinated with the Office of the Auditor General with respect to integration with the annual financial audit.

In 2009, the ICOFR program progressed further, with completion of the premium revenue control assessment. In addition, the annual update of the information technology and general entity level controls was completed. The annual updates of previous control assessments were also completed. These control assessments include Investments, Financial Reporting Close and the Claim Benefit Liability projects.

Accountability Framework reporting

Through consultation with the Minister and stakeholders, the Accountability Framework was approved in 2002 to provide Albertans with a set of supplementary performance measures that compare actual WCB results to established standards and/or industry benchmarks. These measures cover such areas of WCB operations as communications with stakeholders; client satisfaction; consistency, clarity and fairness of claim decisions; timeliness and effectiveness of WCB services; and financial capability and effectiveness of injury prevention programs. The Auditor General reviews the reported measures for completeness, comparability and clarity. The 2009 Accountability Framework Report can be viewed at www.wcb.ab.ca.

Business planning

An important aspect of the financial planning and budgeting is its linkage to WCB's strategic plan and the resulting corporate objectives developed each year in support of the strategic plan. These objectives and the related performance indicators set the direction for the organization and identify the significant areas of focus for the coming year. The 2010 Budget and 2010–2012 Financial Plan establishes the foundation for appropriate resource allocation for achieving the corporate objectives. A copy of the plan can be viewed at www.wcb.ab.ca.

[iii] Committee of Sponsoring Organizations of the Treadway Commission, which developed a governance framework for internal control.

[iv] Control Objectives for Information and Related Technology, a collection of best practices for IT governance, control and assurance.

Emerging Issues

Adoption of International Financial Reporting Standards

Effective January 1, 2011, publicly accountable enterprises in Canada must prepare their financial statements in accordance with International Financial Reporting Standards (IFRS). As a government business enterprise, WCB falls within the scope of entities required to adopt IFRS. To prepare for this transition, WCB established a convergence program, launched several supporting projects to address the more significant accounting and business processes, and engaged an independent external advisor to validate the deliverables. Major changes to accounting policies, processes and systems were completed during 2009 in order to begin compiling comparative IFRS results on January 1, 2010.

The table below presents the key IFRS program phases and activities along with their status:

IFRS Convergence Plan Assessment as at December 31, 2009

Change Management Activities — Communication, education and process change

Conversion Activities	Milestone	Target	Status
Planning			
High-level planning and diagnostic	Develop overall implementation strategy and plan	2007 – 2008	Completed *Q2 2008*
Analysis and design			
Detailed GAAP diagnostic and analysis	Identify and assess detailed accounting and business impacts of IFRS	Q4 2008	Completed *Q4 2008*
IFRS policy development	Produce IFRS accounting interpretations and draft accounting policies	Q4 2009	Completed *Q3 2009*
Financial reporting changes	Design and build internal and external financial reporting components	Q4 2010	In progress
Information technology	Ensure that financial information gathering, processing, and reporting systems and processes are IFRS-compliant	2009 – 2010	In progress
Implementation			
Conversion	Capture comparative financial reporting data	Q2 2010	In progress
	Test and validate IFRS statement presentation, as well as data capture and preparation processes	Q4 2010	In progress
Integration			
Final implementation	Embed IFRS changes throughout systems and processes, including disclosure controls	Q4 2011	Not started
Sustainment			
Sustainment	Develop a compliance process for ongoing monitoring and implementation of IFRS changes and other emerging issues	2010 – 2011	Not started

As at December 31, 2009, the IFRS convergence plan is progressing well during the advanced stages of implementation, having completed the planning and diagnostic phases. All known significant accounting policies have been drafted, while some policy development remains contingent on anticipated changes to certain standards likely to become effective during or after the transition period.

Although the initial evaluation has confirmed that the adoption of IFRS will likely have some impacts on systems and processes related to property, plant and equipment, investments, employee benefits and insurance contracts, the impacts on financial results are not yet fully determinable.

The table below presents the key IFRS policy elections as at the reporting date along with their expected impacts.

Policy Elections - IFRSs effective as at December 31, 2009

Significant IFRS Areas	Policy Change	Accounting Policy / Elections	Preliminary Election and Related Impact
Property, plant and equipment (PPE)	No	For opening valuation of PPE: Fair value as deemed cost Reconstructed historical cost	Fair value as deemed cost of PPE ***Impact:*** minimal; current policy is substantially converged with IFRS
		For post-transition accounting: Revaluation method Cost method	Cost method ***Impact:*** minimal; current policy is substantially converged with IFRS
Investments	Yes	Financial instruments: Reclassify at fair value through profit and loss (FVTPL) Maintain available for sale designation	Reclassify at FVTPL as required by early adoption of IFRS 9 ***Impact:*** significant impact to statements of comprehensive income and financial position
Leases	Yes	None available; IAS 17 prescribes a principles-based approach to classifying a lease as either finance or operating	No election ***Impact:*** minimal; more leases are expected to be classified as finance, but the capitalized amounts are not significant
Employee benefits	Yes	For first-time adoption: Recognize all cumulative actuarial gains and losses since plan inception to the date of transition Reconstruct recognized and unrecognized amounts of cumulative gains and losses	Recognize all cumulative actuarial gains and losses at the date of transition ***Impact:*** minimal; amounts are immaterial
		For post-transition accounting: Recognize immediately through income Corridor method	Recognize immediately through income ***Impact:*** minimal; amounts are immaterial
Insurance contracts	No	Optional inclusion in the first IFRS financial statements of prescribed comparative disclosures	Elect comparative disclosure exemption ***Impact:*** none; disclosure only
Financial statement presentation	Yes	Free choice of presentation, subject to prescribed requirements of IAS 1. Format used in the first IFRS financial statements becomes the standing accounting policy for subsequent statement presentation	Content and format of the statement of comprehensive income to align with the expected requirements of new IAS 1 ***Impact:*** none; disclosure only

Having completed its evaluation of the significant IFRS elections applicable to WCB's financial results, WCB has identified the exemptions that it will apply in its first IFRS financial statements; however, these are only preliminary elections, which may change with future IFRS developments. Although quantification of the related accounting impacts is progressing, WCB does not expect to complete this work until sometime in 2010.

Other Impacts Arising from IFRS Adoption

For property, plant and equipment, leases, and investments, WCB identified incremental information needs that require the development of new subsystems. Major changes to the general ledger system will not be necessary, but new reports will be sufficient to track those information requirements. The financial reporting and financial planning systems are also being updated to address IFRS reporting.

Adoption of IFRS will also affect how certain accounting estimates are recognized and measured, such as for computer software capitalization and depreciation, asset impairment, property valuations, revenue accruals, liabilities and contingent liabilities, among others. The adoption of IFRS, with its focus on principles rather than bright-line rules, will therefore introduce new financial reporting risks related to the following:

- Processes where application of management judgment is required to interpret and apply the standards
- Processes where new measurement techniques and relevant input assumptions and methods are prescribed for critical accounting estimates

Revisions to controls design will be implemented to address those risks, including development of extensive supporting documentation, not only of the reported numbers, but also of the information sources and the judgment or rationale behind key assumptions and choices.

In its project work plan, the standard setter for IFRS has a number of key accounting standards, the majority of which are slated for release in the next several years. Many of these are either new standards or major redrafting of existing standards that may have significant implications for WCB results.

Next Steps

Current priorities include completion of all conversion tasks and deliverables, including final testing of information and statement preparation systems and processes before the end of the year. By then, WCB will have confirmed its IFRS accounting policies, along with the required pro forma IFRS financial statements and reconciliations to GAAP results. WCB is confident that it will be ready for reporting under IFRS on January 1, 2011.

Looking Ahead

The challenge for WCB in the near term will be to manage the business in light of economic uncertainty and to protect the investment portfolio against volatility in turbulent markets. To achieve these goals, WCB's business priorities are to build on those operational and financial strategies that have contributed to organizational success. Management will closely monitor economic and operating trends to develop proactive and measured responses to emerging business issues.

Economic outlook

Alberta faced the full effect of a difficult recession in 2009. Of all provincial economies, Alberta has gone from the fastest-growing in 2007 to the one that experienced the largest contraction in 2009. Some economists are looking ahead to 2010 with cautious optimism of a slow, yet sustained recovery. The energy sector remains the staple of Alberta's economy. Although oil prices recovered to about US$75 a barrel in 2009, low natural gas prices will likely impact investment and drilling activity in 2010, which translates to fewer employment opportunities in many sectors of the economy. Alberta lost about 28,600 jobs in 2009; however this is a net decline produced from a reduction of 52,400 full-time jobs offset by a gain of 23,800 part-time jobs. Alberta is expected to gain about 20,000 jobs in 2010, with the majority of jobs concentrated in the construction and service industries.[v] Due to these factors WCB is predicting only marginal growth in insurable earnings for 2010.

[v] Conference Board of Canada (February 22, 2010). *Provincial Outlook, Executive Summary. Economic Performance and Trends.*

Alberta's wage growth[vi] has slowed considerably over the past year. After posting annual wage gains of about 5% during 2006 to 2008, Alberta wages grew by just 1.3% in 2009, while the Canadian average was at 2.3%.[vii] Since wage growth was so strong prior to 2009, wage growth is expected to remain at moderate levels compared to other provinces in 2010.[viii] WCB projects that wage growth will be 2.75% in 2010.

All major global economies are expected to see only modest gross domestic product (GDP) growth in 2010. The slowdown in the consumer-driven U.S. economy will continue to have an impact on the recovery in the Canadian economy. The Conference Board of Canada is expecting growth in real GDP of 2.5% in 2010, while Alberta experienced real GDP decline of 3.7%[ix] in 2009, down from 0.6% growth in 2008.

Capital market outlook

The capital market outlook is very uncertain heading into 2010. A global economic recovery appears to be unfolding; however there are many questions about the sustainability of the recovery.

Optimists suggest that the deeper and more abrupt the recession, the more robust and strong the recovery. More pessimistic forecasters cite high unemployment, a weakness in the U.S. housing market and a need to increase taxes in the future to fund large budget deficits as signs of a more muted economic recovery than has been experienced historically.

Equity markets were very strong in 2009, and at current levels valuations are fully pricing in a recovery in corporate earnings. This suggests that returns will be much more modest in 2010 and 2011. Emerging markets are expected to be the driver of global growth as their fiscal strength and demographics are much more positive than in the developed economies.

In the longer term, the key issue for markets and for investors like WCB, which have inflation-sensitive liabilities to pay, is the probability of periods of high inflation. The stimulus amount, both monetary and fiscal, being injected into the system points to the possibility of rising inflation over the medium term. This issue is still a few years away as there is currently too much slack in labour markets (high unemployment and underemployment) and low levels of capacity utilization for inflation to be a near-term concern.

Forecasting short-term market performance is difficult at best. Studies show that investors typically cause themselves more harm than good by trying to time short-term capital market movements. WCB is a long-term investor with a strong financial position. This allows for patience and the ability to stay committed to proven investment principles and beliefs.

The total portfolio return for 2010 has been set at 5.7% for planning purposes; however, continued market volatility suggests that the actual returns for 2010 may be significantly different from the planning assumptions.

Business outlook

Customer operations

On the customer operations front, our strategic plan continues to keep us anchored on the fundamentals of our business: return to work.

From an operational level, in 2010 we continue our focus on return to work through improved shoulder injury rehabilitation methods, suitable modified work and return to work with alternate employers wherever pre-injury employers no longer have jobs available. The right modified work opportunities have helped injured workers take advantage of on-the-job rehabilitation while giving employers the chance to support and keep their valued employees.

[vi] Measured by average weekly earnings in Alberta.

[vii] Statistics Canada (February 25, 2010). The Daily. Payroll, employment, earnings and hours.

[viii] ATB Financial (February 25, 2010). Daily Economic Comment. Alberta Wage Growth Moderates.

[ix] *Conference Board of Canada Forecast* as cited in Alberta Finance's *Current Economic Indicators by Province* for the week ended February 22, 2010.

For 2010, modified-work-only claims are expected to decrease by 0.4%, and time-lost claim volume is expected to decline by 5.9% to 25,500, with the number of covered workers increasing to 1.75 million, a 1.0% increase. Average claim duration is projected to marginally increase once again to 36.3 days.

Together with our stakeholders, we continue to be successful in injury management, having reached the lowest time-lost-claim rate per 100 covered workers in our history; however, this positive trend is likely levelling off.

Financial management

Financial management is based on an investment policy that is derived from asset-liability studies which consider the year-by-year liabilities of the fund together with the probabilities of associated stock, bond and real estate returns. This results in an allocation to stocks, bonds and other assets that changes moderately from year to year and generally performs well notwithstanding some volatility from year to year.

The Investment Policy's long-term direction is toward more inflation-sensitive assets, which will lower volatility further, yet provide a level of return over the long run which will contribute to the continued financial strength of the fund.

2010 premium rate

In 2010, the average premium rate will remain the same as in 2009 at $1.32 per $100.00 of insurable earnings. This average premium rate for 2010 of $1.32 consists of $1.26 to cover the forecasted costs for the year and an additional $0.06 margin for economic uncertainty. In addition, insurable earnings are forecast to grow at a slower pace in 2010 as Alberta's economy slowly recovers.

With all Workers' Compensation Boards in Canada having announced their premium rates for 2010, WCB-Alberta continues to have the lowest average rate. Alberta's premium rates have been among the lowest in Canada throughout the past decade.

Outlook for financial condition

At the end of 2009, WCB's funded ratio was 128.4% (assets over liabilities). WCB remains in a positive funded position, and the current level of funding is above the target funding level in the Funding Policy, yet below the threshold to pay a special dividend in 2010. Given economic uncertainty and the volatility of investment returns, it is difficult to determine the likelihood that our funded position at year-end 2010 will be above the threshold to produce a dividend that would be paid in 2011.

Facing the future

Alberta's economy has recently weathered a strong economic change. WCB's system was challenged and emerged from the challenge in solid financial standing. In 2010 we look forward to:

- Working within a more stable economy, allowing us to focus on effective financial management strategies to manage a balanced fund to ensure that worker benefits remain secure
- Working with the employers of the province on creating new prevention and modified work opportunities to increase the focus on return to work and minimize the risk of workplace injury in the province
- Working on development and delivery of new rehabilitation models, such as our shoulder injury management program, to help workers recover from their injuries faster and allow all parties to focus on return to work more quickly and more safely

As always, we look forward to collaborating with our stakeholders and partners to leverage prevention, focus on return to work, deliver on our commitment to fairness and manage the organization to maintain financial stability. Together with our partners, we look forward to leveraging an improving economy for the benefit of the workers' compensation system.

Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board – Alberta were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the annual report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with generally accepted actuarial practice.

The Office of the Auditor General, the independent auditor of the WCB, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.

Original signed by

David B. Carpenter, FCA
Chair, Board of Directors
Workers' Compensation Board – Alberta

Original signed by

Guy R. Kerr
President & Chief Executive Officer
Workers' Compensation Board – Alberta

Original signed by

Ron J. Helmhold, CA
Chief Financial Officer
Workers' Compensation Board – Alberta

Auditor's Report

To the Board of Directors of the Workers' Compensation Board – Alberta

I have audited the balance sheets of the Workers' Compensation Board – Alberta as at December 31, 2009 and 2008 and the statements of operations, comprehensive income, changes in funded position, and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2009 and 2008 and the results of its operations, changes in funded position, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher

Acting Auditor General
Edmonton, Alberta
April 20, 2010

Actuarial Statement of Opinion
on the Valuation of the Benefit Liabilities of the Workers' Compensation Board – Alberta as at December 31, 2009

Eckler
CONSULTANTS + ACTUARIES

I have completed the actuarial valuation of the benefit liabilities of the Workers' Compensation Board - Alberta (WCB) for the financial statements of the WCB as at December 31, 2009. In my opinion, the actuarial liabilities of $4,907.0 million make reasonable provision for future payments for short term disability, vocational rehabilitation, long term disability, survivor and health care benefits, as well as claims administration costs, on account of claims that occurred on or before December 31, 2009; it does not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

The valuation was based on the provisions of the Workers' Compensation Act of Alberta and on the WCB's policies and administrative practices in effect at the time of the valuation. The impact of the recent increase to the travel and accommodation allowances has been considered.

The data on which the valuation is based were provided by the WCB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and that the data are consistent with WCB's financial statements. The liabilities included herein have been computed by the WCB in accordance with methods and assumptions approved by me; I have made such tests of the calculations that I considered necessary.

The economic assumptions adopted for purposes of computing the liabilities are consistent with the WCB's funding and investment policies. For this valuation, a real rate of return of 3.00% was used to discount expected payments subject to inflation. Benefits subject to cost of living adjustments (COLA) were discounted at 3.50%, making implicit provision for the future indexing of benefits on the assumption that investment earnings on WCB's assets will exceed increases in the Consumer Price Index (CPI) by 3.00% per year, over the long term, and that COLA will be provided at CPI minus 0.50%. Other economic assumptions underlying the calculations are annual changes in CPI of 2.50%, as well as health care costs and vocational rehabilitation benefits assumed to grow at annual rates of 6.00% and 3.50% respectively. These rates are the same as those used in the previous valuation, except for the reduction from 6.75% to 6.00% in the health care escalation rate.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WCB's claims experience, mortality and other assumptions. In addition to the reduction in the health care escalation rate, the main change made to the actuarial basis was to the assumptions used to value the economic loss payments. All the changes in methodologies and assumptions have resulted in an overall decrease of $97.4 million in liabilities.

Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at December 31, 2009, of which this statement of opinion forms part.

In my opinion, the data on which the valuation is based are sufficient and reliable, the assumptions, in aggregate, are appropriate for the purposes of the valuation, and the methods employed are consistent with sound actuarial principles. This report has been prepared and my opinion given in accordance with accepted actuarial practice.

Original signed by

Richard Larouche, FSA, FCIA
Actuary
Eckler Ltd.
March 12, 2010

The Workers' Compensation Board – Alberta
Balance Sheets
As at December 31

($ thousands)

	Notes	2009	2008
ASSETS			
Cash and cash equivalents	4	$ 100,722	$ 95,364
Receivables	5	6,349	39,036
Investments	6, 7	6,315,424	5,423,738
Property, plant and equipment	8	34,591	30,189
Intangible assets	9	26,561	28,889
		$ 6,483,647	$ 5,617,216
LIABILITIES			
Payables and accruals	10	$ 143,454	$ 121,186
Claim benefit liabilities	11	4,907,000	4,905,700
		5,050,454	5,026,886
FUNDED POSITION	3		
Fund Balance		1,138,793	296,030
Occupational Disease Reserve		294,400	294,300
		1,433,193	590,330
		$ 6,483,647	$ 5,617,216
COMMITMENTS	21		
CONTINGENCIES AND INDEMNIFICATION	22		

Approved by the Board of Directors:

David B. Carpenter, FCA
Chair, Board of Directors
Workers' Compensation Board – Alberta

Guy R. Kerr
President & Chief Executive Officer
Workers' Compensation Board – Alberta

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statements of Operations

Year ended December 31

($ thousands)

	Notes	2009		2008
		Budget	Actual	Actual
REVENUE				
Premium	13	$ 975,039	$ 908,456	$ 993,767
Investment	14	5,734	219,996	(421,333)
Other	15	300	1,273	1,905
		981,073	1,129,725	574,339
EXPENSES				
Claim costs	11	1,078,448	704,728	971,635
Administration	16	81,079	78,607	82,131
Injury reduction	19	38,893	39,593	34,379
		1,198,420	822,928	1,088,145
OPERATING (DEFICIT) SURPLUS		$ (217,347)	$ 306,797	$ (513,806)

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statements of Comprehensive Income

Year ended December 31

($ thousands)

	Notes	2009	2008
OPERATING SURPLUS (DEFICIT)		**$ 306,797**	$ (513,806)
OTHER COMPREHENSIVE GAINS (LOSS)			
Net unrealized gains (losses) on available-for-sale investments arising during the year		**392,662**	(952,329)
Net investment losses realized during the year and reported in the statements of operations	14	**112,445**	236,067
Loss realized during the year from write-down of impaired investments and reported in the statements of operations	14	**31,042**	147,061
		536,149	(569,201)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 842,946**	$ (1,083,007)

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statements of Changes in Funded Position

Year ended December 31

($ thousands)

	Notes	2009	2008
FUND BALANCE			
Accumulated operating surplus			
Balance, beginning of year		$ 503,983	$ 1,007,321
Operating surplus (deficit)		306,797	(513,806)
Dividends		(83)	68
Transfer (to) from occupational disease reserve		(100)	10,400
		810,597	503,983
Accumulated other comprehensive income (loss)			
Balance, beginning of year		(207,953)	361,248
Other comprehensive income (loss)		536,149	(569,201)
	6	328,196	(207,953)
Fund Balance, end of year		1,138,793	296,030
OCCUPATIONAL DISEASE RESERVE			
Balance, beginning of year		294,300	304,700
Transfer from (to) accumulated operating surplus		100	(10,400)
		294,400	294,300
		$ 1,433,193	$ 590,330

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statements of Cash Flows

Year ended December 31

($ thousands)

	2009		2008
	Budget	**Actual**	Actual
OPERATING ACTIVITIES			
Cash inflows			
Employer premiums	**$ 982,027**	**$ 966,564**	$1,015,019
Dividend, interest and derivative income	**1,210**	**331,223**	53,010
Realized net investment gains (losses)	**4,524**	**(112,445)**	(236,067)
Other	**1,143**	**464**	1,137
Cash outflows			
Benefits to claimants and/or third parties on their behalf	**(634,900)**	**(585,148)**	(566,453)
Employee and supplier payments for administrative and other goods and services	**(196,970)**	**(180,647)**	(179,345)
Injury reduction program funding	**(38,893)**	**(39,593)**	(34,381)
Net cash from operating activities	**118,141**	**380,418**	52,920
INVESTING ACTIVITIES			
Cash outflows			
Net sale (purchase) of investments	**(94,791)**	**(354,319)**	240,121
Net purchase of property, plant and equipment	**(7,083)**	**(7,073)**	(5,067)
Net purchase of intangible assets	**(11,267)**	**(9,712)**	(8,749)
Net cash (used for) from investing activities	**(113,141)**	**(371,104)**	226,305
FUNDING POLICY ACTIVITIES			
Cash outflows			
Special dividends to employers	**-**	**(3,956)**	(344,304)
Net cash used for Funding Policy activities	**-**	**(3,956)**	(344,304)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,000**	**5,358**	(65,079)
Cash and cash equivalents, beginning of year	**56,000**	**95,364**	160,443
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 61,000**	**$ 100,722**	$ 95,364

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2009 with comparatives for the year ended December 31, 2008

(thousands of dollars unless stated otherwise)

1. Significant Accounting Policies

Basis of presentation

The financial statements of the Workers' Compensation Board – Alberta (WCB) have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with GAAP requires the use of estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods presented.

Some accounting measurements require management's best estimates, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action. Claim benefit liabilities, the reserve for occupational disease, write-downs of investments, the Partnerships in Injury Reduction (PIR) accrual, and accrued premium revenue are the most significant items that are based on accounting estimates. Actual results could differ from the estimates determined by management in these financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods.

Comprehensive income

Comprehensive income includes current operating surplus and other comprehensive income (OCI). Other comprehensive income is comprised of unrealized fair-value gains and losses from investments, less previously deferred unrealized gains and losses that have been realized during the period through sale or impairment loss write-down and recognized in current income. Accumulated other comprehensive income (AOCI) includes unrealized fair-value gains and losses arising from holding available-for-sale investments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into investment income in the statements of operations.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the financial statement date. Non-monetary assets and liabilities are translated at the historical exchange rate. Foreign-currency transactions are translated into Canadian dollars using the exchange rate in effect when those transactions occur. Foreign currency gains and losses are recognized in income in the period in which they arise.

Cash and cash equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and short-term investments held by custodians are not available for general use, and accordingly are included in investments.

Investments

Portfolio investments, which comprise securities held for long-term capital appreciation and generation of income, are reported at fair value. Fixed income investments, marketable equity securities, and real estate and infrastructure investments are classified as available-for-sale investments. Derivatives used to manage asset and risk exposures are classified as held-for-trading instruments. Investments are initially recognized at acquisition cost (including premiums or discounts at date of purchase) and subsequently measured at fair value at each reporting date. WCB utilizes trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of investments.

Valuation of financial assets

The basis of measurement for financial assets is fair value as at the reporting date as follows:

- Publicly traded securities are based on their closing market prices or the average of the latest bid/ask prices quoted by independent securities valuation companies.
- Non-publicly traded private investment in infrastructure and real estate pooled funds are valued at the net asset values of the funds, which reflect the fair values of fund assets less fund liabilities.
- The fair value of real estate funds are based on independent annual appraisals, net of any liabilities against the fund assets.
- The fair value of the commercial mortgages fund is based on the market interest rate spread over Bank of Canada bonds with a similar term to maturity.

Valuation of derivatives

Derivatives are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates or indices. The fair value of WCB's derivative contracts, primarily forward foreign-exchange contracts and futures contracts, are valued based on quoted market prices.

Investment income

Recognition and measurement

WCB recognizes interest revenue as earned, dividends when declared, and investment gains and losses when realized. Interest revenue is recognized over the term of a debt security using the effective interest rate method, and includes amortization of any premium or discount recognized at date of purchase. For real-return bonds, interest revenue also includes amortization, using the effective interest rate method, of adjustments to principal related to changes in inflation. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income.

Derivatives are classified as held-for-trading instruments and, as such, changes in fair value resulting from marking derivative contracts to market are recognized in investment income. WCB's investment portfolio contains certain derivatives that meet hedge accounting requirements. WCB does not apply hedge accounting to the hedging relationships in its segregated investments, but uses hedge accounting indirectly in some pooled fund investments.

Transaction costs are included in the acquisition cost of individual securities. Direct investment expenses such as external custodial and management fees, as well as internal investment management expenses, are netted against investment income.

Impairment of financial instruments

When the fair value of an investment falls below its cost, and the decline is determined to be other-than-temporary, a loss equivalent to the difference between cost and current fair value is recorded against investment income in the statements of operations. The assessment of other-than-temporary impairment considers the extent of the unrealized loss, the length of time that the security has been in a loss position, the financial condition of the issuer and WCB's intent to hold the security to any anticipated recovery.

Premium revenue

Premiums are billed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated based on historical experience, and any difference between actual and estimated premiums is adjusted the following year. Premium revenue is net of the Partnerships in Injury Reduction (PIR) rebate.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives. Depreciation is calculated using the following annual rates and methods that best reflect the realization of benefits:

Buildings		2.5% straight-line
Leasehold improvements		term of the leasing contract plus one renewal period
Equipment	– computer	35% declining balance
	– furniture and other	15% declining balance
	– vehicles	20% straight-line

WCB evaluates its property, plant and equipment for impairment due to obsolescence, redundancy, deterioration, loss or reduction in future service potential. WCB writes down the carrying value to fair value and records the write-down amount as depreciation expense.

Intangible assets

Computer software

Software development expenditure is capitalized only if the directly related costs can be measured reliably, the product or process is technically feasible, future economic benefits are probable, and WCB has the intention and sufficient resources to complete development and to use the asset. Computer software development costs are recognized as assets and amortized using the straight-line method at an annual rate of 20% commencing from the date that the software is available for use.

WCB evaluates its computer software for impairment due to obsolescence, redundancy, loss or reduction in future service potential. WCB writes down the carrying value to fair value and records the write-down amount as amortization expense.

Claim benefit liabilities

Claim benefit liabilities represent the actuarial present value, as estimated by WCB's external actuary, of all future benefit payments and claim administration costs that have been incurred in respect of current and prior years' injuries. Claim benefit liabilities have been estimated in accordance with accepted actuarial practice established by the Canadian Institute of Actuaries.

Employee future benefits

Permanent employees of WCB participate in defined benefit pension plans sponsored by the Province of Alberta. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense.

For senior management, WCB also sponsors a supplemental retirement income plan to provide post-employment benefits in excess of statutory limits. The supplemental plan is a defined benefit plan whose costs are actuarially determined each year using the projected benefit method prorated on service. Actuarial gains and losses arising from the annual valuation are recognized in benefit plan expense as they arise.

WCB offers a contributory benefit plan that allows eligible employees who retire early to continue participating in staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. These bridge benefits include group supplementary health and dental care.

In addition to post-retirement benefits, WCB offers an income continuance plan for long-term disability to all permanent employees. The costs of providing such benefits are actuarially determined by WCB's benefit consultants. Valuation of the liability may result in a net actuarial gain or loss. The gain or loss that is greater than 10% of the benefit obligation is amortized to benefit plan expense over the estimated average expected remaining service period of employees.

2. Financial Reporting Changes

Accounting policy changes

Section 3064 Goodwill and Intangible Assets

On January 1, 2009, WCB adopted the provisions of new CICA Handbook Section 3064 Goodwill and Intangible Assets. The new standard contains recognition and measurement criteria for internally generated computer software and separate presentation of intangible assets on the balance sheets.

EIC-173 Credit Risk and Fair Value

On January 20, 2009, WCB adopted EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract clarifies how WCB's own credit risk and the credit risk of a counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. The new guidance has not had a material impact in WCB's operating results or financial position.

Current disclosure changes

Financial instruments – disclosures

Effective December 31, 2009, WCB adopted CICA amendments to Section 3862, Financial Instruments – Disclosures. The additional disclosures include categorization of fair value measurements into one of three levels, ranging from fair value measurements that are determined using observable market inputs (i.e., quoted market prices in an active market), to fair value measurements that are based on inputs that are not based on observable market data (i.e., entity-specific valuation assumptions and techniques).

Future accounting policy changes

Adoption of International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that the changeover date for adoption of International Financial Reporting Standards (IFRS) by publicly accountable enterprises will be January 1, 2011. Changes to processes and systems are underway in order to develop comparative IFRS financial results for 2010. The 2009 Management Discussion and Analysis provides details on WCB's plans for adoption of IFRS, together with an assessment of readiness for 2010 and 2011.

3. Funding Basis

Legislative authority

WCB operates under the authority of the *Workers' Compensation Act* (the Act), Revised Statutes of Alberta 2000, Chapter W-15, as amended.

Accident Fund

The Act stipulates the creation of an Accident Fund (the Fund) with sufficient funds to pay present and future compensation. The Fund is fully funded, when total fund assets equal or exceed total liabilities. This Funded Position (or net assets) represents the current funding status. The Funded Position is maintained in two reserves within the Accident Fund: the Fund Balance and the Occupational Disease Reserve (ODR).

The Fund Balance consists of accumulated net operating surpluses/deficits and accumulated other comprehensive income, which holds unrealized gains and losses on investments.

The ODR was established to provide for costs arising from latent occupational injury or disease where a causal link to the workplace has not been established, but may be established in the future. No provision against income has been made for future claims arising from such injury or disease because the determination of such claims cannot be reasonably estimated. The ODR is maintained at a percentage of claim benefit liabilities through a transfer from or to the Fund Balance.

Fund management

Since the Act does not provide for an ownership-based capital structure, WCB views its available capital resources as synonymous with its Funded Position. The primary objective in managing the Funded Position is to mitigate the risk of being unfunded, while a secondary objective is to minimize premium rate volatility caused by investment risk. WCB manages the financial status of the Accident Fund by monitoring the Funded Position and making funding decisions in accordance with the Funding Policy.

The Funding Policy sets a target zone of 114% to 128% for the Funded Ratio (total assets divided by total liabilities) to guide funding decisions. When the Funded Ratio falls below the target zone, special funding requirements are included in premium rates. When the Funded Ratio is above the target zone, special dividends may be paid.

($ thousands)	2009	2008
Accident Fund		
Total assets	$ 6,483,647	$ 5,617,216
Less:		
Total liabilities	5,050,454	5,026,886
Funded Position	$ 1,433,193	$ 590,330
Funded Ratio	128.4%	111.7%

4. CASH AND CASH EQUIVALENTS

($ thousands)	2009	2008
Cash in transit and in banks	$ 126	$ 318
Cash equivalents	100,596	95,046
	$ 100,722	$ 95,364

Cash equivalents are invested in a short-term pooled investment fund that generated an annual return of 1.1% (2008 – 3.5%).

5. RECEIVABLES

($ thousands)	2009	2008
Premium		
Assessed	$ -	$ 32,723
Accrued	-	1,477
	-	34,200
Other	6,349	4,836
	$ 6,349	$ 39,036

Accrued premiums receivable represent estimated premiums related to employers that had not reported their insurable earnings by year-end. See Note 10 for the reclassification of the 2009 premium accrual to Payables and Accruals and Note 13 for details concerning the premium accrual.

6. INVESTMENTS

Fair value of financial instruments

The table below presents the cost and carrying amount at fair value for WCB's investments as at December 31, 2009, with the change in fair value recognized through other comprehensive income:

($ thousands)	2009					2008		
	Adjusted Cost [1]	Unrealized Gains	Unrealized Losses	AOCI	Fair Value	Adjusted Cost [1]	AOCI	Fair Value
Available-for-sale investments								
Fixed income								
Nominal bonds:								
Canada	$2,090,140	$ 37,035	$ (1,407)	$ 35,628	$ 2,125,768	$2,292,834	$ (51,158)	$2,241,676
Other markets	151,360		(1,663)	(1,663)	149,697	131,474	19,698	151,172
Mortgages [2]	188,389	-	(826)	(826)	187,563	160,712	(1,915)	158,797
	2,429,889	37,035	(3,896)	33,139	2,463,028	2,585,020	(33,375)	2,551,645
Equities								
Domestic	624,331	52,632	(17,519)	35,113	659,444	496,894	(110,892)	386,002
Foreign:								
Global [3]	1,949,422	77,340	(72,345)	4,995	1,954,417	1,817,371	(245,866)	1,571,505
Emerging markets	178,383	80,906	-	80,906	259,289	92,850	-	92,850
	2,752,136	210,878	(89,864)	121,014	2,873,150	2,407,115	(356,758)	2,050,357
Inflation-sensitive								
Real estate [4]	385,061	61,371	(1,515)	59,856	444,917	342,780	112,172	454,952
Infrastructure [5]	28,841		(1,197)	(1,197)	27,644	14,576	1,753	16,329
Real-return bonds	371,441	115,384	-	115,384	486,825	381,518	68,255	449,773
	785,343	176,755	(2,712)	174,043	959,386	738,874	182,180	921,054
	5,967,368	424,668	(96,472)	328,196	6,295,564	5,731,009	(207,953)	5,523,056
Derivatives [6]								
Fixed income	-	-	-	-	4,213	-	-	(6,536)
Equities	-	-	-	-	15,647	-	-	(92,782)
	-	-	-	-	19,860	-	-	(99,318)
	$5,967,368	$424,668	$ (96,472)	$ 328,196	$ 6,315,424	$5,731,009	$ (207,953)	$ 5,423,738

[1] Adjusted cost includes the following:

a) the accumulated amortization of discount or premium on fixed income securities; and

b) the written-down value for securities assessed to have an other-than-temporary decline in value.

[2] Mortgages include commercial mortgages and multi-unit mortgages, but do not include single-dwelling residential mortgages.

[3] Global comprises U.S. and Europe, Australasia and Far East mandates.

[4] Real estate comprises pooled funds invested in commercial properties.

[5] Infrastructure consists of a pooled fund invested in infrastructure assets.

[6] Changes in the fair value of segregated fund derivatives is recognized in investment income rather than in AOCI. See Note 7 Investment Risk Management for more details concerning derivatives.

Fair value hierarchy

The fair value of WCB's investments recorded on the Balance Sheets was determined using one of the following valuation techniques:

Level 1 The fair value is based on quoted prices in active markets for identical assets or liabilities. This level includes equity securities and derivative contracts that are traded in an active exchange market.

Level 2 The fair value is based on inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs based on observable market data. Includes pooled funds invested in traded securities, as well as derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from observable market data.

Level 3 The fair value is based on unobservable inputs that are significant to the fair value of the assets or liabilities and have little or no market activity. This level includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes pooled funds invested in debt securities, private equity, real estate and infrastructure.

The table below summarizes the basis of fair value measurements for financial assets held in WCB's investment portfolio as at December 31, 2009:

($ thousands)	Valuation technique			
	Level 1	Level 2	Level 3	Fair Value
Available-for-sale investments				
Fixed income				
Nominal bonds	$ -	$ 2,146,336	$ 112,892	$ 2,259,228
Mortgages		-	187,686	187,686
	-	2,146,336	300,578	2,446,914
Equities				
Domestic	422,564	235,000	-	657,564
Foreign	1,249,471	936,406	-	2,185,877
	1,672,035	1,171,406	-	2,843,441
Inflation-sensitive				
Real estate	-	-	433,617	433,617
Infrastructure	-	-	27,608	27,608
Real-return bonds	-	485,626	-	485,626
	-	485,626	461,225	946,851
	1,672,035	3,803,368	761,803	6,237,206
Derivatives	-	19,860	-	19,860
Investments[1]	$ 1,672,035	$ 3,823,228	$ 761,803	$ 6,257,066

[1] Net cash, receivables and payables of $58,358 are carried at amortized cost and therefore not subject to fair value classification. This net amount is added to the fair value total above to arrive at the total fair value of investments reported on the 2009 balance sheet.

Reconciliation of Level 3 Fair Value Measurements

	2009		
($ thousands)	Fixed Income	Real Estate/ Infrastructure	Total
Balance, beginning of year	$ 295,257	$ 467,917	$ 763,174
Realized income recognized in operating surplus	(10,180)	(25,625)	(35,805)
Net change in unrealized gains/losses	14,014	(37,547)	(23,533)
Purchases of Level 3 investments	42,893	58,424	101,317
Sale or settlement of Level 3 investments	(41,406)	(1,944)	(43,350)
Balance, end of year	$ 300,578	$ 461,225	$ 761,803

7. INVESTMENT RISK MANAGEMENT

Investment governance

The Board of Directors is ultimately responsible for overall governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy and ongoing monitoring of investment performance and compliance.

WCB management is responsible for monitoring investment performance, recommending changes to the Investment Policy and selecting fund managers. WCB retains independent consultants to benchmark the performance of its fund managers, and to advise on the appropriateness and effectiveness of its Investment Policy and practices.

Key financial risks

The primary financial risk for WCB is the risk that, in the long term, returns from its investments will not be sufficient to discharge all obligations arising from its claim liabilities. Risk management for investments needs to be closely aligned with the risk management of liabilities to best manage this funding risk.

WCB's primary risk mitigation strategy is the implementation of its Investment Policy. As determined through an asset/liability study, the Investment Policy target asset mix, and associated risk and return characteristics, have been established to provide guidelines for a broad investment strategy, as well as specific approaches to portfolio management. The Investment Policy also calls for maintaining a well-diversified portfolio, both across and within asset classes, and engaging fund managers who represent a broad range of investment philosophies and styles, all within a rigorous compliance framework.

WCB has identified key investment risks that directly affect the sufficiency of its investments to fund current and future claim obligations:

Market risks – These risks include movements in equity market prices, interest rates, credit spreads and foreign currency exchange rates.

Other investment risks – These risks relate to the specific composition and management of WCB's portfolio and include liquidity risk, securities lending risk, counterparty default risk and derivatives risk.

The following sections describe these risk drivers, WCB's exposure and mitigation strategies for each risk.

Equity market risk

WCB is exposed to equity market risk, which is the risk that the fair value of its investments in publicly traded shares will fluctuate because of price changes. Such price changes are caused by macroeconomic factors and other capital market dynamics, which may affect the market value of individual securities.

WCB's mitigation strategy for equity market risk is disciplined oversight of investment activities within a formal investment control framework that has been reviewed and validated by independent experts to ensure continuous compliance with approved policies and practices. The target asset mix, as outlined in the Investment Policy, is the primary method for controlling the exposure to equity market risk.

The table below presents the effect on WCB's equity mandates of a significant adverse change[10] in the key risk variable—the portfolio weighted average (asset class) benchmark:

($ thousands)	2009		2008	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% change in Canadian market benchmark	**(16.9%)**	**(33.7%)**	(15.1%)	(30.1%)
Canadian mandate	**$ (95,166)**	**$ (166,328)**	$ (50,494)	$ (89,306)
% change in Global market benchmark	**(12.9%)**	**(25.8%)**	(11.3%)	(22.5%)
Global mandate	**$ (225,054)**	**$ (403,961)**	$ (149,653)	$ (271,799)
% change in Emerging market benchmark	**(21.5%)**	**(42.9%)**	(20.2%)	(40.5%)
Emerging markets mandate	**$ (45,814)**	**$ (77,869)**	$ (15,629)	$ (26,755)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates.

The table below presents the effects of a nominal interest rate change of 50 and 100 bps[11] on the respective bond portfolios:

($ thousands)	2009		2008	
change in nominal interest rate	**+50 bp**	**+100 bp**	+50 bp	+100 bp
Nominal bonds	**$ (66,266)**	**$ (132,533)**	$ (70,543)	$ (141,087)
change in nominal interest rate	**+50 bp**	**+100 bp**	+50 bp	+100 bp
Real return bonds	**$ (36,903)**	**$ (73,806)**	$ (33,914)	$ (67,828)

The table below presents the remaining terms to maturity at fair value, with the average effective yields for each maturity, for fixed income investments exposed to interest rate risk as at December 31, 2009:

	Remaining term to maturity					
($ thousands)	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	2009	2008
Nominal[1] bonds						
Canadian - externally managed	$ 55,069	$ 429,935	$ 409,622	$ 444,022	**$1,338,648**	$1,546,315
Average effective yields	4.5%	4.0%	5.2%	6.0%	**5.0%**	5.9%
Other markets	18,021	51,634	66,789	17,607	**154,051**	144,727
Average effective yields	0.9%	2.0%	3.7%	4.3%	**3.4%**	4.6%
Canadian - internally managed	45,098	298,235	161,927	282,064	**787,324**	695,382
Average effective yields	0.9%	2.4%	4.2%	4.7%	**3.4%**	3.9%
	118,188	779,804	638,338	743,693	**2,280,023**	2,386,424
Real[1] return bonds						
Canadian - internally managed	1,223	-	-	485,626	**486,849**	449,790
Average effective yields	0.4%	-	-	1.5%	**1.5%**	2.2%
	1,223	-	-	485,626	**486,849**	449,790
	$ 119,411	$ 779,804	$ 638,338	$1,229,319	**$2,766,872**	$2,836,214

[1] Nominal yield reflects the total yield to maturity, whereas real yields are net of inflation.

[10] A change is considered material when it exceeds the standard deviation (std dev), which measures the variance in a normal probability distribution. One std dev covers 68% of all probable outcomes; two std devs, 95%. The benchmark deviations are based on 2009 performance data.

[11] One basis point (bp) equals 1/100 of 1%; 50 bps = 50/100 of 1% or 0.5%.

Fixed income pricing risk

Fixed income pricing risk related to financial securities arises from changes in general financial market or economic conditions that may change the pricing of the entire non-government bond market, specific sectors or individual issuers. This risk is generally manifested through changes in the security's credit spread.

WCB's investment portfolio is exposed to fixed income pricing risk mainly through participation in direct holdings of fixed income securities and to a lesser degree investments in a nominal Canadian bond pool, a global fixed income mandate and a Canadian mortgage pool.

The table below presents the effects of a change in the credit spreads of 50 and 100 bps on the non-government portion of the bond portfolio:

($ thousands)	2009		2008	
change in nominal interest rate	+50 bp	+100 bp	+50 bp	+100 bp
Nominal bonds[1]	$ (14,736)	$ (29,471)	$ (6,906)	$ (13,812)

[1] Segregated funds only. The real return bond portfolio includes only government issues.

Foreign currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates.

In its Canadian fixed income pooled investments, WCB is exposed to foreign currency volatility that is managed through forward foreign-exchange contracts and cross-currency interest rate swaps. The global fixed income segregated fund is fully hedged to the Canadian dollar by utilizing forward currency contracts. For its foreign-equity investments, WCB utilizes a currency overlay to hedge 50% of the aggregate currency exposure from foreign equities. The currency overlay is executed through forward foreign-exchange contracts on the U.S. dollar, euro and other major currencies. As the Canadian dollar moves against hedged foreign currencies, the resulting appreciation or depreciation on foreign investments in the balance sheets is reflected in the statements of operations as a 50% offsetting gain or loss.

WCB's largest currency exposure is to the U.S. dollar, with unhedged holdings of $542,089 (2008 – $432,501); euro exposure is next, with unhedged holdings of $106,155 (2008 – $76,834). For the year ended December 31, 2009, the net gain from the currency overlay was $105,347 (2008 – $179,883 loss).

The table below presents the effects on the foreign equity mandate of a material change in the Canadian/U.S. dollar and Canadian/euro exchange rates:

($ thousands)	2009		2008	
	CAD/USD	CAD/EURO	CAD/USD	CAD/EURO
December 31 spot rate	*0.9539*	*0.6648*	*0.8100*	*0.5827*
10% appreciation in the Canadian dollar	*1.0493*	*0.7313*	*0.8910*	*0.6410*
Global mandate	$ (49,282)	$ (9,650)	$ (39,318)	$ (6,985)

Liquidity risk

Liquidity risk stems from the lack of marketability of a security that cannot be bought or sold quickly enough to prevent or minimize a loss. Lack of liquidity in the market acts as a constraint against optimum portfolio management decisions. Because WCB's operating cash flows are generally sufficient to fund ongoing obligations, market illiquidity is not a critical concern but, from time to time, it may hinder the efficient management of portfolio activities such as rebalancing the asset mix, reallocating assets between fund managers and funding major commitments.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WCB mitigates liquidity risk by minimizing the need for liquidations of portfolio assets in volatile markets. To cover unanticipated cash requirements when market conditions are unfavourable, WCB has negotiated a standby line of credit of up to $20 million, which has not been drawn down as at December 31, 2009. Given its stable operating cash flows, active cash management and credit facilities in place, WCB does not believe it has significant liquidity risk.

Securities-lending risk

To generate additional income, WCB participates in a securities-lending program sponsored by its custodian. Under this program, the custodian may lend WCB's investments to eligible third parties for short periods. These loans are secured against loss with marketable securities having a minimum fair value of 102% of the loan. The custodian is contractually obligated to indemnify WCB for any losses resulting from inadequate security. For 2009, securities-lending transactions generated income of $679 (2008 – $1,362). WCB is also exposed to securities-lending risk through participation in certain pooled funds.

Counterparty default risk

Counterparty default risk arises from the possibility that the issuer of a debt security, or the counterparty to a derivatives contract, fails to discharge its contractual obligation to WCB.

To mitigate counterparty default risk, WCB ensures that the credit ratings of counterparties do not fall below an acceptable threshold. Issuers of debt securities will have at least a B- or equivalent score from a recognized credit-rating agency, or must meet other stringent investment criteria. Counterparties for derivative contracts will have at least an A- score or equivalent from a recognized credit-rating agency.

As at December 31, 2009, the aggregate amount of fixed income securities with counterparty ratings below BBB- is presented in the table below:

($ thousands)	2009	2008
Corporate bonds		
Segregated funds	$ 34,290	$ 1,824
Pooled funds	6,084	3,092
	$ 40,374	$ 4,916

WCB's Investment Policy also imposes stringent restrictions with respect to material concentration in any single asset class, sector, fund and counterparty. Each fund is closely monitored for compliance to ensure that aggregate exposures do not exceed those investment constraints.

Derivatives risk

Although derivatives represent an important component of WCB's risk management strategy, the portfolio does not contain any derivatives intended for speculative or trading purposes. An example of derivatives used for risk mitigation is the currency overlay described in the currency risk section, which is a partial hedge of the currency exposure. From time to time, derivatives are also utilized as a portfolio management technique to replicate a target asset mix or achieve certain asset exposures when it is not possible or cost-effective to hold securities directly.

The notional value of a derivative contract used in a hedging arrangement represents the exposure that is being hedged, and is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are not indicative of the credit risk associated with such derivative contracts and are not recognized in these financial statements. WCB's credit exposure is represented by the replacement cost of all outstanding contracts in a receivable (positive fair value) position. Counterparty default risk with respect to derivative contracts is mitigated in accordance with investment guidelines described in the earlier section on counterparty default risk.

The table below presents the notional principal, as well as the fair value, of all open derivative contract positions in segregated funds as at December 31, 2009:

($ thousands)		Term	2009		2008	
	Asset Mandates	Within 1 year	Notional Principal	Fair Value	Notional Principal	Fair Value
Asset replication contracts						
Equity index futures contracts	Global equities	100%	$ -	$ -	$ 186,763	$ 7,108
Bond futures contacts	Global fixed income	100%	69,972	590	286,202	(12,462)
			69,972	590	472,965	(5,354)
Foreign-exchangecontracts						
Currency overlay forward contracts	Global equities	100%	960,903	16,452	1,038,985	(98,680)
Forward foreign-exchange contracts	Global equities/fixed income	100%	458,805	2,818	487,201	4,716
			1,419,708	19,270	1,526,186	(93,964)
			$1,489,680	$ 19,860	$1,999,151	$ (99,318)

WCB also has indirect exposure to derivatives risk through its Canadian fixed income pooled investments with the government of Alberta. These investments are primarily exposed to interest rate risk, foreign currency risk, and bond pricing risk that are managed through several types of derivative contracts having aggregate notional amounts of $1,097,542 (2008 - $2,414,726), fair value of $2,618 [2008 – ($39,105)]. Their weighted average maturities are: less than 1 year – 38%, 1 to 3 years – 33% and greater than 3 years – 29%.

8. PROPERTY, PLANT AND EQUIPMENT

($ thousands)	2009					2008
	Cost	Work In Progress	Total	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 1,092	$ -	$ 1,092	$ -	$ 1,092	$ 1,092
Buildings	38,167	94	38,261	15,966	22,295	23,131
Leasehold improvements	1,556	-	1,556	798	758	-
Equipment	16,449	1,707	18,156	7,710	10,446	5,966
	$ 57,264	$ 1,801	$ 59,065	$ 24,474	$ 34,591	$ 30,189

9. INTANGIBLE ASSETS

($ thousands)	2009					2008
	Cost	Work In Progress	Total	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 109,224	$ 6,747	$ 115,971	$ 89,410	$ 26,561	$ 28,889

10. PAYABLES AND ACCRUALS

($ thousands)	2009	2008
Partnership Injury Reduction rebates	$ 71,446	$ 71,776
Accrued employee benefits	28,656	25,724
Net premium revenue adjustments	24,238	-
Other	19,115	23,686
	$ 143,454	$ 121,186

Partnership Injury Reduction rebates (Note 13) are paid to those employers that have met the eligibility requirements. Net premium revenue adjustments represents amounts collected from employers in excess of adjusted premiums related to yet to be reported insurable earnings adjustments.

11. CLAIM BENEFIT LIABILITIES

Claim benefit liabilities have been independently valued as at December 31, 2009 by WCB's external actuary. Claim benefit liabilities include a provision for all benefits provided by current legislation, WCB policies and administrative practices. These liabilities also include a provision for the future expenses of administering those benefits, including funding obligations to the Appeals Commission and Medical Panel Office. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period. Claim benefit liabilities also do not include a provision for benefit costs of self-insured employers.

Since the claim benefit liabilities of WCB are of a long-term nature, the actuarial assumptions and methods used to calculate the reported claim benefit liabilities are based on considerations of future expenditures over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgment must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

Estimated future expenditures are expressed in constant dollars and then discounted at the assumed real rate of return on investments (i.e., the difference between expected long-term investment earnings and the expected long-term general inflation rate).

Key actuarial assumptions

The table below presents the annual rates for key long-term economic assumptions used to determine the claim benefit liabilities:

	2009	2008
Nominal rate of return	5.58%	5.58%
General inflation rate	2.50%	2.50%
Real rate of return	3.00%	3.00%
Cost-of-living allowance	2.00%	2.00%
Wage escalation	3.50%	3.50%
Health care escalation	6.00%	6.75%

The table below presents a breakdown of WCB's total claim benefit liabilities by benefit category as at December 31, 2009, with details of the transactions during the year:

($ thousands)	2009							2008
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Claim Administration [1]	Total Claim Liabilities	Total Claim Liabilities
Claim benefit liabilities, beginning of year	$ 402,900	$2,081,100	$502,400	$1,512,700	$ 115,600	$ 291,000	$4,905,700	$4,606,300
Increase in claim benefit liabilities:								
Claim costs incurred								
Current-year injuries	157,065	150,609	22,831	289,481	31,082	79,071	730,139	779,734
Prior years' injuries	19,176	(57,028)	14,521	(56,194)	10,989	43,125	(25,411)	191,901
	176,241	93,581	37,352	233,287	42,071	122,196	704,728	971,635
Decrease in claim benefit liabilities:								
Claim payments made								
Current-year injuries	66,065	2,309	831	107,181	2,682	29,971	209,839	215,734
Prior years' injuries	87,676	131,772	44,121	138,806	29,689	62,525	493,589	456,501
	154,541	134,081	44,952	245,987	31,371	92,496	703,428	672,235
Claim benefit liabilities, end of year	$ 424,600	$2,040,600	$494,800	$1,500,000	$ 126,300	$ 320,700	$4,907,000	$4,905,700

[1] Claim Administration payments of $92,496 (2008 – $81,904) are comprised of general claim administration (see Note 16) of $83,253 (2009 – $72,902), Appeals Commission of $8,979 (2009 – $8,756) and Medical Panel Office of $264 (2008 – $246).

Changes in claim benefit liabilities

The table below is a reconciliation of the major changes in the claim benefit liabilities during the year:

($ thousands)		2009	2008
Claim benefit liabilities, beginning of year		**$4,905,700**	$ 4,606,300
Add (deduct) changes in liabilities:			
Provision for future costs of current-year injuries		**520,300**	564,000
Interest accrued on the liabilities		**257,900**	241,800
Payments for prior years' injuries, excluding self-insured employers		**(485,333)**	(448,630)
		5,198,567	4,963,470
Add impact of policy changes:		**700**	46,000
Add (deduct) changes in actuarial methodology and experience:			
Changes in actuarial methods and assumptions:			
Health care escalation rate change from 6.75% to 6.0%	**(134,400)**		-
New incidence rates for outstanding economic loss payments	**(59,500)**		(39,900)
Heath Care benefits adjustments	**61,800**		-
Other changes in methods and assumptions	**34,700**	**(97,400)**	92,500
Claims experience (gains) and losses:			
Difference between actual and expected long-term cost-of-living adjustments and inflation	**(82,000)**		25,000
Actual costs less than expected	**(86,300)**		(96,100)
Other experience gains	**(26,567)**	**(194,867)**	(85,270)
		(291,567)	(57,770)
Claim benefit liabilities, end of year		**$4,907,000**	$ 4,905,700

Sensitivity of actuarial assumptions

The most significant assumption in the determination of the claim benefit liabilities is the real rate of return. The real rate of return is the assumed rate of return in excess of the assumed inflation rate. A reduction in the assumed real rate of return would increase the actuarial present value of the claim benefit liabilities.

Health care benefits represent approximately 30% of the claim benefit liabilities. An increase in the assumed health care escalation rate would result in an increase in the claim benefit liability for health care.

The table below presents key assumptions used to determine the claim benefit liabilities and the sensitivity of the liabilities to an immediate 0.25% increase or decrease in the assumed rates:

($ thousands)	2009		2008	
+/- % change on assumed rates	+0.25%	-0.25%	+0.25%	-0.25%
Real rate of return	$ (134,800)	$ 141,800	$ (136,800)	$ 145,600
Health care escalation rate	$ 51,500	$ (49,200)	$ 52,300	$ (49,600)

12. EMPLOYEE FUTURE BENEFITS

Long-term disability plan

WCB administers a non-contributory long-term disability (LTD) income continuance plan for its employees, with the WCB Accident Fund covering the obligations of the plan. LTD benefits are the sum of all liabilities related to claims that have occurred in the period.

The cost of benefits is actuarially based on claims outstanding, a market interest rate, management's best estimate of projected costs and the expected benefit period. Current benefit cost represents the actuarial present value of the expected future payments. Interest cost represents the amount required in each year to build up the liability over the projected benefit period to its future value. Actuarial gains and losses arise from assumption and/or methodology changes and claim experience related to the benefit obligation. Such gains and losses that exceed 10% of the benefit obligation are amortized over the expected average benefit period.

Pension plans

Employee post-retirement benefits are provided through contributory multi-employer defined benefit pension plans sponsored by the Province of Alberta, namely the Management Employees Pension Plan (MEPP) and the Public Service Pension Plan (PSPP). As a plan participant in these multi-employer pension plans, WCB's expense for PSPP and MEPP for the year ended December 31, 2009 is equivalent to the aggregate annual contributions of $7,740 (2008 – $7,215). Employer contribution rates on pensionable earnings are as follows:

MEPP: 18.00% (2008 – 18.00%)

PSPP: 6.69% up to YMPE[12] (2008 – 6.69%), 9.55% above YMPE (2008 – 9.55%)

At December 31, 2009, the MEPP and PSPP administrators reported plan deficiencies. For these plans, WCB has no further payment obligations once the contributions have been paid; therefore, no liability has been recognised in respect of these plan deficiencies.

Supplemental executive retirement plan

WCB sponsors a non-contributory supplemental executive retirement plan (SERP), with the WCB Accident Fund covering the obligations of the plan. Earnings of senior management generally exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act*. Under the terms of the SERP, senior management is entitled to receive supplemental retirement payments that bring their total pension benefits to a level consistent with their total earnings. Future pension benefits are based on the participants' years of service and earnings.

The cost of benefits is actuarially determined using the projected benefit method prorated on service, a market interest rate, management's best estimate of projected costs and the expected years of service until retirement. Current benefit cost represents the actuarial present value of the benefits earned in the current period. Current benefit costs are not cash payments in the period, but are the period expense for rights to future compensation. Interest cost represents the amount required in each year to build up the liability over the projected service period to its future value. Actuarial gains and losses arise from assumption and/or methodology changes and claim experience related to the benefit obligation, and are recognized immediately in current expense.

See Note 17 for a detailed breakdown of SERP costs.

Post-retirement benefit plan

WCB provides an unfunded post-employment benefit plan that provides dental and health care benefits to retirees on pension between the ages of 55 to 65. Plan costs are actuarially determined using the projected benefit method prorated on service. As plan participants pay part of the benefit cost, the benefit obligation represents the amount subsidized by WCB.

An actuarial valuation of this obligation was not conducted in prior years as management's estimate of the liability was considered to be immaterial. Given recent cost trends and the level of subsidy provided, a review of this benefit plan was undertaken.

---

[12] Year's Maximum Pensionable Earnings under the Canada Pension Plan ($46,300 in 2009; $44,900 in 2008).

The table below is a summary of the costs and liability balances, as at December 31, 2009, of WCB's employee future benefit plans:

($ thousands)	2009			2008		
	LTD	SERP	Post Retirement	LTD	SERP	Post Retirement
Accrued benefit liability, beginning of year	$14,262	$1,062	$ -	$ 12,722	$1,095	$ -
Current benefit cost	820	274	-	2,202	427	-
Interest cost	717	92	-	573	83	-
Amortization of actuarial (gains) losses	(182)	-	-	(72)	-	-
Actuarial (gains) losses	n/a [1]	(7)	2,682	n/a [1]	(543)	-
Benefit payments	(1,364)	-	-	(1,163)	-	-
Accrued benefit liability, end of year [2]	$ 14,253	$1,421	$ 2,682	$ 14,262	$ 1,062	$ -

[1] LTD plan has unrecognized net actuarial gains for 2009 of $4,023 (2008 – $2,838).

[2] Accrued benefit liabilities are included in "Accrued employee benefits" under "Payables and accruals."

The table below presents key assumptions applicable to WCB-sponsored employee future benefit plans:

	2009			2008		
	LTD	SERP	Post Retirement	LTD	SERP	Post Retirement
Actuarial valuation date	12/31/2009	12/31/2009	12/31/2009	12/31/2008	12/31/2008	n/a
Discount rate (nominal)	5.5%	6.9%	6.2%	6.65%	6.9%	n/a
Health care inflation rate	4.9%	n/a	5.0%	4.9%	n/a	n/a
Salary escalation rate	3.0%	4.0%	n/a	4.5%	4.0%	n/a

13. PREMIUM REVENUE

($ thousands)	2009	2008
Assessed premium revenue	$ 960,849	$ 1,044,036
Self-insured employer revenue (Note 18)	10,727	10,542
Other premium-related revenue	8,326	10,965
	979,902	1,065,543
Deduct: Partnerships in Injury Reduction rebates (Note 10)	71,446	71,776
	$ 908,456	$ 993,767

Assessed premium revenue includes an accrual of $51,410 payable (2008 – $1,477 receivable) for amounts collected from employers in excess of adjusted premiums related to yet-to-be-reported insurable earnings adjustments. The accrual has been determined using a statistical model that estimates the amount of unreported earnings based on actual returns processed to date and historical patterns of processed to unprocessed returns as at a specified point in time. Historically, accruals have ranged from 0.1% to 6.0% of total processed premiums.

Partnerships in Injury Reduction (PIR) rebates are paid to those employers that have met the eligibility requirements in achieving certain workplace safety targets as specified under the program. The estimated rebate amount is based on several factors, including premiums paid, year-over-year improvement on claims experience and safety performance relative to industry benchmarks, among others. Historically, the PIR rebate accrual has averaged 8% of total processed premiums.

For both premium and PIR accruals, the difference between actual and estimated amounts in past years has not been material.

14. INVESTMENT INCOME

Investment income[1] *- net* *($ thousands)*	2009	2008
Interest income		
Bonds	$ 128,168	$ 93,561
Mortgages	8,711	7,355
Cash and cash equivalents	475	5,082
	137,354	105,998
Dividends		
Domestic equities	14,017	15,182
Foreign equities	18,654	34,594
	32,671	49,776
Realized gains (losses) on available-for-sale investments		
Bonds	(38,778)	(45,757)
Domestic equities	(13,746)	(34,585)
Foreign equities	(66,436)	(162,083)
Real estate	6,476	6,355
Infrastructure	39	3
	(112,445)	(236,067)
Derivatives		
Realized gains (losses)	156,964	(85,676)
Unrealized gains (losses)	19,861	(120,965)
	176,825	(206,641)
Property income		
Real estate	15,364	16,005
Infrastructure	3,232	(1,609)
	18,596	14,396
	253,001	(272,538)
Deduct:		
Impairment write-downs - Bonds	8,487	-
Impairment write-downs - Equities	22,555	147,061
Investment-related administration expense[2]	1,963	1,734
	$ 219,996	$ (421,333)

[1] Investment income is net of transaction costs, external management fees and expenses (e.g. custodial, audit, etc.) of $14,319 (2008 – $14,502) that are netted against the respective revenue source.

[2] Internal administration expenses are netted against investment income, but not attributed to specific revenue sources.

Impairment write-downs

WCB applies a three-step process for recognizing impairment losses on available-for-sale investments:

- identifying investments with significant unrealized losses;
- determining whether the decline in value is temporary or other-than-temporary; and
- removing the entire loss from AOCI and recognizing it in income.

Determining whether an investment is impaired is a matter of judgment. WCB interprets other-than-temporary as a decline in value in excess of normal volatility for 12 consecutive months. For securities whose decline in value is particularly severe, or those operating in a troubled sector, or where the prospects for recovery of carrying value is not probable within the expected holding period, the duration criterion may be waived. In applying judgment, WCB also considers such factors as market conditions, facts and circumstances concerning specific securities and their issuers, expectations of performance and the views of other knowledgeable parties, such as fund managers.

15. OTHER REVENUE

($ thousands)	2009	2008
Other	$ 119	$ 206
Millard Health[1]	1,154	1,699
	$ 1,273	$ 1,905

[1] Millard Health revenue is net of operating expenses of $24,974 (2008 – $23,116).

16. ADMINISTRATION EXPENSES

($ thousands)	2009	2008
Salaries and employee benefits	$ 120,041	$ 115,708
Office and technology	24,340	25,524
Amortization of intangible assets	10,493	8,019
Depreciation of property, plant and equipment	2,227	752
Building operations	7,442	6,080
Consulting fees	2,356	2,915
Travel, vehicle operation and other	1,200	1,488
	168,099	160,486
Deduct:		
Claim administration costs	83,253	72,902
Investment management expenses charged to investment income	1,963	1,734
Recovery of costs	4,276	3,719
	$ 78,607	$ 82,131

17. SALARIES AND BENEFITS

The table below presents total compensation of the directors and senior management of WCB following the recommendations of the Salary and Benefits Disclosure Directive issued by the Treasury Board of Alberta:

	Base Salary[1]	Other Cash Benefits[2]	Non-Cash Benefits[3]	SERP[4]	Total
			2009		
Chair, Board of Directors[5]	$ -	$ 94,840	$ 3,969	$ -	$ 98,809
Board Members[5]	-	173,822	14,185	-	188,007
President & Chief Executive Officer	344,000	181,110	32,946	46,300	604,356
Vice-president, Disability and Information Management[6]	282,000	104,700	29,917	30,700	447,317
Vice-president, Customer Service and Risk Management	257,000	96,310	30,867	31,600	415,777
Vice-president, Employee and Corporate Services	220,500	72,150	30,840	19,600	343,090
Chief Financial Officer	257,000	95,950	31,817	24,100	408,867
Secretary and General Counsel	216,000	78,684	32,889	22,100	349,673
			2008		
Chair, Board of Directors[5]	$ -	$ 89,688	$ 3,457	$ -	$ 93,145
Board Members[5]	-	175,914	13,004	-	188,918
President & Chief Executive Officer	335,000	179,500	37,459	64,400	616,359
Vice-president, Disability and Information Management	250,000	88,500	29,010	45,300	412,810
Vice-president, Customer Service and Risk Management	250,000	88,500	30,090	39,000	407,590
Vice-president, Employee and Corporate Services	210,000	69,000	29,111	26,700	334,811
Chief Financial Officer	250,000	93,500	31,150	39,000	413,650
Secretary and General Counsel	210,000	69,000	31,986	28,100	339,086

[1] Base salary is pensionable base pay.

[2] Other cash benefits include performance awards, lump sum payments, honoraria, vacation pay and car allowances.

[3] Non-cash benefits include employer's share of all employee benefits and contributions or payments made to or on behalf of employees, including statutory contributions, pension plan, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plan, educational costs and professional and other memberships. No amounts are included for the value of parking.

[4] Current service cost for the supplemental executive retirement plan (SERP). See Note 12 for details of the plan and the following table for the costs related to each named executive officer.

[5] The Chair of the Board of Directors and the nine Board Members are part-time positions.

[6] Restructuring of the executive team reduced the number of vice-presidents from six to five. The reallocation of responsibilities to the Vice-president, Disability and Information Management merited a base salary adjustment.

The current service cost for senior management under the SERP is presented in the table below:

	2009				2008	
	Current Service Cost [1]	Other Costs [2]	Net Cost	Accrued Obligation Dec. 31, 2009	Net Cost	Accrued Obligation Dec. 31, 2008
President & Chief Executive Officer	$ 46,300	$ 21,000	$ 67,300	$ 369,200	$ (52,300)	$ 301,900
Vice-president, Disability and Information Management	30,700	10,900	41,600	195,000	(27,800)	153,400
Vice-president, Customer Service and Risk Management	31,600	12,500	44,100	201,900	2,000	157,800
Vice-president, Employee and Corporate Services	19,600	7,400	27,000	125,000	(8,900)	98,000
Chief Financial Officer	24,100	5,500	29,600	100,500	(4,800)	70,900
Secretary and General Counsel	22,100	8,500	30,600	140,900	(2,100)	110,300
Other senior management and inactive members	99,200	19,800	119,000	288,900	61,100	169,900
	$ 273,600	$ 85,600	$ 359,200	$ 1,421,400	$ (32,800)	$ 1,062,200

[1] Current service cost is the actuarial present value of future benefit obligations arising from employee service in the current period.

[2] Other costs include interest on the liability and actuarial gains (losses) arising from assumption changes and/or experience.

18. SELF-INSURED EMPLOYERS

The financial statements include the effects of transactions on behalf of self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administration expenses. Currently, the Federal Government of Canada is the only self-insured employer. This is a contractual relationship in accordance with the *Government Employees Compensation Act*. Certain government-related entities and railways are responsible for the cost of injuries to their workers that occurred when they were self-insured in prior years.

Included in the balance sheets is $1,836 (2008 – $1,804) for receivables. Presented below are the aggregate amounts of premiums and offsetting expenses included in the statements of operations:

($ thousands)	2009	2008
Claim costs	$ 8,519	$ 8,444
Administration	2,208	2,098
Self-insured employer revenue (Note 13)	$ 10,727	$ 10,542

19. INJURY REDUCTION

WCB has a statutory obligation to reimburse the Alberta Minister of Finance and Enterprise a portion of the costs associated with administration of the *Occupational Health and Safety Act*. Funding is also provided to industry-sponsored safety associations to promote improved workplace safety practices. Funding costs incurred are recovered as components of the premium rate charged annually to employers.

The following table shows the amounts paid during 2009 under these programs:

($ thousands)	2009	2008
Occupational Health and Safety	$ 26,400	$ 20,900
Safety associations	13,193	13,479
	$ 39,593	$ 34,379

20. Related-Party Transactions

Included in these financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards and commissions related to WCB by virtue of common influence by the Government of Alberta. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

Included in related-party transactions are certain funding obligations relating to Occupational Health and Safety, the Appeals Commission and the Medical Panel Office that are in accordance with the applicable legislation and/or regulations. Funding costs incurred are recovered as components of the assessed premium rate charged to employers. The amounts outstanding at December 31, 2009, and transactions throughout the year related to statutory funding obligations are as follows:

($ thousands)	2009	2008
Receivables	$ 2	$ 2
Payables and accruals	$ 2,014	$ 2,044
Expenses	$ 35,335	$ 29,620

21. Commitments

WCB has obligations under long-term non-cancellable contracts for land, office space, leased equipment and commitments for purchases of goods and services. The following is a schedule of future expenditure commitments:

($ thousands)	2009	2008
2009	$ -	$ 18,109
2010	15,100	9,849
2011	10,467	8,581
2012	3,118	1,517
2013	1,940	1,228
Beyond	10,316	8,677
	$ 40,941	$ 47,961

22. Contingencies and Indemnification

Legal proceedings

WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcomes of such claims and lawsuits are not determinable. Based on the total amount of all such actions, however, WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

Indemnification agreements

In the normal course of business, WCB enters into contractual agreements that contain standard contract terms to indemnify certain parties against loss. The terms of these indemnification clauses will vary based upon the contract and/or the occurrence of contingent or future events, the nature of which prevents WCB from making a reasonable estimate of the potential amount that may be payable to those contractual parties. Such indemnifications are not significant, nor has WCB made any payments or accrued any amounts in the financial statements in respect of these indemnifications.

23. BUDGET

The Board of Directors approved the 2009 budget in October 2008.

24. COMPARATIVE FIGURES

Certain comparative figures for 2008 have been reclassified where required to conform to the current year's presentation and disclosure.

Glossary

Actuarial required real rate of return	The real rate of return (nominal rate less inflation) on actuarially matched investment assets that will generate sufficient income to cover the interest requirement on the liability. Actuarially matched assets represent the sum that must be invested to earn a real rate of return (identical to the real discount rate) to fully discharge the actuarial liability at maturity. See also **real discount rate**.
Asset-liability management	A risk management approach that ensures sufficiency of resources to discharge specified obligations by managing the risk characteristics of invested assets relative to liabilities for such factors as yields, duration, volatility and default.
Asset-liability study	A financial model for determining the appropriate amount and mix of investment assets, given a specified level of risk, to generate a return that is sufficient to fund the interest requirement of matched claim benefit liabilities.
Asset overlay	A portfolio management strategy designed to replicate an asset or portfolio position without actually holding securities directly. The desired position is achieved by entering into a futures contract or option on the future price movement of a security or an index.
Average premium rate	Calculated as total revenue requirements divided by the projected insurable earnings for the premium year.
Comprehensive income	The change in equity (or **net assets**) of an enterprise during a period from all transactions and events other than investments by and distributions to owners. Comprehensive income is composed of operating income and other comprehensive income, which includes those revenues, expenses, gains and losses that, in accordance with the primary sources of GAAP, are recognized in comprehensive income but excluded from operating income.
Currency overlay	A foreign-currency risk management strategy used in international investment portfolios to separate the management of currency risk from the asset allocation and security selection decisions of the fund managers.
Derivative	A **financial instrument** whose characteristics and value depend upon the characteristics and value of an underlying security, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options. Derivatives are used to manage the risk associated with the underlying security, to protect against fluctuations in value, or to profit from periods of inactivity or decline.
Fair value	The amount of the consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. In the context of investments, fair value is generally synonymous with market value.
Financial instrument	Any contract that gives rise to a financial asset (e.g., cash equivalent, accounts or note receivable, share security) of one party and a financial liability (e.g., accounts or note payable, bond) or equity instrument (e.g., stock option, warrant) of another party.

Financial risk

The possibility or chance that an investment's return will be other than expected, positively or negatively. In general, financial risk has a negative meaning, as in the possibility of losing some or all of the original investment, or adverse changes in its cash flows. For a specific investment, risk is usually measured by calculating the standard deviation of its historical or average returns. See also **risk**.

Fund management

Fund management is both a framework and a process designed to maintain a level of funding to ensure that the following results:

- Compensation benefits are sustainable and protected.
- Premium rate and funding requirements are predictable.
- The Accident Fund remains solvent.

The Funding Policy, which embodies these objectives, provides direction for management in financial planning and decision making. Key processes for fund management include risk assessment, **asset-liability management**, application of funding rules, compliance monitoring and governance.

Funded Position

The excess of total assets less total liabilities, expressed either in dollar terms (see **net assets**) or as a ratio of total assets to total liabilities. The Funded Position is the measure of financial solvency or the sufficiency of assets to meet all obligations. It is the aggregate amount of accumulated equity generated by operating surplus, reserves and other comprehensive income.

Funded ratio

The Funded Position expressed as a percentage of total liabilities, indicating the amount of accumulated surplus, investment holding gains or losses, and reserves available to fund unexpected increases in liabilities. Funded ratio is the key metric of financial solvency used in **fund management**.

Hedging

A portfolio management activity designed to modify an entity's exposure to one or more financial risks by creating an offset between changes in the fair value of or the cash flows attributable to the hedged item and the hedging item (or the changes resulting from a particular risk exposure relating to those items).

Mark to market

The accounting process of adjusting the book or carrying value of a security, account or portfolio to its current market value in the financial statements. When market values are not available or are unreliable, an alternative approach is mark to model, which uses the output of a valuation technique or financial model to approximate the expected value.

Meredith Principle

In his report on workers' compensation in 1913, then-Chief Justice of Ontario Sir William Meredith outlined a framework now commonly known as the Meredith Principle:

- Workers receive compensation benefits regardless of fault for work-related injuries.
- Employers share collective liability for the costs of work-related injuries and, in return, employees waive the right to sue.
- Injured workers are entitled to prompt payment of benefits, and future payments are guaranteed.
- The workers' compensation agency has exclusive jurisdiction over all legal matters arising out of the enabling legislation.
- The agency is financially independent of the government and enjoys full autonomy over all administrative and adjudicative matters.

Net assets	The excess of total assets less total liabilities, another expression of **Funded Position** in dollar terms. When total liabilities exceed total assets, the deficit is known as unfunded liability.
Real discount rate	The rate used to discount the actuarial projections of all future claim benefit payments back to present value. The rate is based on the real rate of return that the investment portfolio is expected to generate over the long term. The real discount rate is also called the net discount rate or the **actuarial required real rate of return** when applied in a portfolio context.
Real rate of return	The annual percentage return realized on an investment, adjusted for changes in prices due to inflation or deflation.
Return	The interest and dividend income and the capital gains or losses associated with an investment. The return is usually quoted as a percentage of the investment's market value (market return) or its book value (book return). Performance of an investment or a pool of investments is the actual rate of return over a given evaluation period.
Risk	In general, risk is the possibility or chance that a future event or outcome will be different than expected, either positively or negatively. See also **financial risk**.

Appendix A: Performance Measures Sources and Methodologies

The following information is a summary of Employment and Immigration's (E&I) performance measures sources and methodologies for the results reported in the Performance Measures Summary Table (pages 12-13). It highlights important elements, such as how the performance measure results were calculated.

Performance Measure 1.a

Labour productivity: inter-provincial rank of real Gross Domestic Product in dollars per hour worked (#1 is the highest)

METHODOLOGY

Employment and Immigration calculates the provincial labour productivity by using real Gross Domestic Product (GDP) at basic prices per hour worked for all jobs. GDP at basic prices is derived from GDP at market prices, but excludes indirect taxes and subsidies on products. Labour productivity estimates are derived by dividing total real GDP by the total number of hours worked.

All data are obtained from Statistics Canada, and are based on the most recent information available. The numbers are revised on a routine basis by Statistics Canada. This presentation is based on approved and updated information for the 2009 calendar year.

GDP is the total market value of all goods and services produced during a given year. GDP is also referred to as economic output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. For this performance measure, GDP is measured in real dollars. Real GDP is a measure of the volume of production. To measure this concept, GDP expenditure-based components are adjusted to eliminate the effect of price change. This process is known as deflation.

The number of hours worked in all jobs is the annual average for all jobs times the annual average hours worked in all jobs. Hours worked means the total number of hours that a person spends working, whether paid or not. In general, this includes regular and overtime hours, breaks, travel time, training in the workplace and time lost in brief work stoppages where workers remain at their posts. On the other hand, time lost due to strikes, lockouts, annual vacation, public holidays, sick leave, maternity leave or leave for personal needs are not included in total hours worked.

Source: Statistics Canada and Employment and Immigration

Performance Measure 1.b

Alberta First Nations, Métis and Inuit off-reserve labour force

METHODOLOGY

The First Nations, Métis and Inuit labour force represents the number of the working age population living off-reserve that is either employed or actively seeking employment (unemployed). It is calculated as a 12-month average of Statistics Canada's monthly Labour Force Survey results. This number has a coefficient of variation of 2.33, which means a very low variability or very high reliability and stability for the reported value. All data are retrieved from the Labour Force Survey (LFS), which is conducted and distributed by Statistics Canada, and are based on the most recent information available. The numbers are revised on a routine basis by Statistics Canada. This presentation is based on approved and updated information for the 2009 calendar year.

Source: Statistics Canada

Performance Measure 1.c

Inter-provincial rank of labour force participation rate (#1 is the highest)

METHODOLOGY

The labour force participation rate is a measure of the proportion of an economy's working-age population (ages 15 and over) that is employed or unemployed (actively seeking employment). It is calculated as a 12-month average of Statistics Canada's monthly Labour Force Survey results. The labour force participation rate for Alberta is compared to each of the 10 provinces and the inter-provincial ranking is determined.

Source: Statistics Canada

Performance Measure 1.d

Percentage of employers who reported no positions vacant for more than four months

METHODOLOGY

The result of this measure is obtained through the Alberta Wage and Salary Survey which is conducted every two years. An independent, external consultant was retained to conduct the 2009 Alberta Wage and Salary Survey. The survey was conducted on a large sample of employers. Participants were given the opportunity to complete the survey online or by e-mail, to complete and return a paper version of the survey by mail or fax, or to complete it by telephone.

The data collection period for the 2009 survey was January to May 2009. Data sources used to prepare the survey sample for the 2009 study included:

- the list of 2007 survey completions
- the list of 2005 survey completions
- AlbertaFirst.com Directory
- lists of local and regional governments in Alberta
- lists of school boards in Alberta
- InfoCanada business listings for selected industries

For each reported occupation, employers were asked "Do you currently have vacancies of over four months for this occupation?" The result for this measure is calculated using the following formulas:

$$\text{Vacancy Rate} = \frac{\text{\# of companies who reported vacancies over four months}}{\text{\# of respondent companies}}$$

100% – Vacancy Rate = Percentage of employers who reported no positions vacant for more than four months

In 2009-10, an improved methodology was introduced which uses a probability sample of employers in Alberta, making the sample more representative.

Source: Employment and Immigration – 2009 Alberta Wage and Salary Survey

Performance Measure 2.a

Number of new immigrants to Canada who choose Alberta as their destination

METHODOLOGY

The Government of Canada is responsible for the final admission of immigrants to Alberta as well as for setting annual target immigration levels for Canada. The information for this measure is obtained from the Citizenship and Immigration Canada (CIC) publication, *Facts and Figures 2009: Immigration Overview – Permanent and Temporary Residents*, and is based on the most recent information available. The numbers are revised on a routine basis by CIC. This presentation is based on approved and updated information for the 2009 calendar year.

With the Permanent Resident Data System (PRDS), CIC tracks immigrant counts by three basic categories: Family class, Economic immigrants and Refugees. In addition, there is a fourth category comprised of other immigrants.

The number of new immigrants to Canada who choose Alberta as their destination is defined as the sum of new immigrants destined to land in Alberta in a calendar year.

This measure previously included the number of temporary foreign workers (TFWs) in addition to the number of new immigrants to Alberta. In 2009-10, the number of TFWs was removed from this measure and all of its prior years' results. The province does not plan for TFW selection or admission levels because TFWs destined to the province is dependent upon employer demand.

Source: Citizenship and Immigration Canada – *Facts and Figures 2009*

Performance Measure 2.b

Alberta's net inter-provincial migration

METHODOLOGY

Final estimates of inter-provincial migration are obtained by comparing addresses indicated on personal income tax returns over two consecutive tax years. However, the migration status of tax filers' dependants has to be imputed. An adjustment is also required to take into account migrants who do not file income tax returns. This adjustment was slightly modified in 2001-02 and again in

2006-07 (for more information about these adjustments, see Statistics Canada's *Quarterly Demographic Estimates: October to December 2009*, www.statcan.gc.ca/pub/91-002-x/91-002-x2009004-eng.pdf).

Since income tax returns are not available at the time preliminary estimates are produced, the estimation of preliminary inter-provincial migration is based on Canada Child Tax Benefit (CCTB) administrative files, which provide counts of child migrants (aged 0-17) receiving benefits under the program. The estimates have to be adjusted later for children who are not receiving the CCTB. Finally, the number of adult migrants is calculated using the number of child migrants and factors derived from the T1FF4. The above adjustment factors are used to take into account:

- the program's partial coverage, that is, people who do not apply for the CCTB or are not receiving benefits. This factor is obtained by comparing the estimated number of children in the population with the number of children in CCTB files;
- the differential propensity to migrate between children who are receiving the CCTB and children who are not. This factor is obtained by comparing the out-migration rates of children receiving the CCTB with the rates for all children (aged 0-17). This factor is calculated for each province and territory and is based on the last available year of T1FFs; and
- the differential propensity to migrate between adults and children. This factor generates the out-migration rate of the population aged 18 and over for each province/territory of origin and destination. It is obtained by calculating the ratio of the central migration rate for adults to the rate for children. It is estimated using data from the last three available years of T1FFs.

The adult migration rate is then applied to the estimated adult population. The number of adult migrants is then added to the number of child migrants to produce the number of inter-provincial migrants for the entire population.

Using Statistics Canada's data, Finance and Enterprise prepares the quarterly *Alberta Population Report*, which includes inter-provincial migration statistics for each province and territory. The data are based on the most recent information available. The numbers are revised on a routine basis by Statistics Canada. This presentation is based on approved and updated information for the 2009 calendar year.

Net inter-provincial migration = total in-migration – total out-migration

Source: Statistics Canada and Finance and Enterprise

Performance Measure 2.c

Provincial nominations forwarded to the federal government through the Alberta Immigrant Nominee Program

METHODOLOGY

Number of certificates forwarded and total number of individuals nominated

The Alberta Immigrant Nominee Program (AINP) forwards nominations to the federal government to help skilled foreign workers expedite their applications for immigrant status. This helps Alberta employers to attract skilled workers in selected occupations to address skilled labour shortages.

AINP staff members monitor the number of nominations forwarded to the federal government using the AINP database. The database tracks the statuses of applications, including the numbers of individuals listed on nomination certificates forwarded to the federal government (i.e., principal applicants, spouses and dependants). The results of this measure are produced at the end of the fiscal year through a count of the number of AINP certificates forwarded and the corresponding total number of individuals nominated.

Source: Employment and Immigration – Alberta Immigrant Nominee Program database

Performance Measure 2.d

International Qualifications Assessment Services (IQAS) available to the public

METHODOLOGY

Number of IQAS assessment certificates issued

IQAS issues an assessment certificate that shows prospective employers, professional associations and post-secondary institutions how international educational credentials compare to Alberta's educational standards. Assessment services include all service categories: Basic, Description of Course Work, Assessment for Educational Institution, and Duplicate Certificates. The total number listed is the total number of assessments, not a count of the number of individuals given service. This is due to the fact that one individual may request more than one type of assessment.

Source: Employment and Immigration – Foreign Academic Credential System

Percentage of IQAS clients who felt they received a fair assessment of their credentials

IQAS certificates may help immigrants enter the labour market, and gain membership in professional licensing bodies and admission into post-secondary institutions. This performance measure provides information on the number of clients who believe that IQAS provided them with a fair assessment.

The result for this measure is based on the following question:
"For the statement—IQAS provided a fair assessment of my credentials, please indicate whether you strongly disagree, disagree, agree, or strongly agree."

$$\% = \frac{\text{Agree + Strongly Agree}}{\text{Agree + Strongly Agree + Disagree + Strongly Disagree}} \times 100$$

Source: Employment and Immigration – IQAS Survey

Performance Measure 3.a

Percentage of participants in skills programs employed post-intervention

METHODOLOGY

This performance measure indicates the success in finding employment for participants in skills programs. The percentage of participants employed post-intervention includes those in Work Foundations (WF), Training for Work (TFW), Job Placement (JP) and Apprenticeship programs.

Results for the WF, TFW and JP portions of this measure are obtained through the annual Work Outcomes Reporting Project (WORP) Survey. An independent consultant is retained through WORP to contact former program participants three months after they leave WF, TFW and JP programs. The percentage of WF/TFW/JP participants employed post-intervention is obtained from the question, "Have you been employed at any time since you left <program name>?" "Yes" and "No" responses are used to calculate the measure result.

Results for the Apprenticeship portion are obtained through the biennial Survey of <fiscal year> Graduates of the Apprenticeship and Industry Training System, conducted by an independent consultant for Advanced Education and Technology. This survey was last conducted in 2008-09, and those results were used to calculate the 2009-10 measure results due to the absence of a 2009-10 survey.

Source: Employment and Immigration – WORP Survey

Survey Completion Methods: All participants are contacted by telephone initially. For those who cannot be contacted by phone, after ten attempts, the option to call back the survey company via a toll free line is offered in a voice message. Former clients are also offered an online option for completing the survey. Both the telephone and online responses are captured in the results calculation.

Performance Measure 3.b

Percentage of participants in skills programs who indicate their training helped prepare them for future employment

METHODOLOGY

The percentage of participants who indicated their training helped prepare them for future employment includes those in Training for Work (TFW) and Work Foundations (WF) programs. Results for this measure are obtained through the annual Work Outcomes Reporting Project (WORP) Survey. An independent consultant is retained through WORP to contact former program participants three months after they leave WF and TFW programs. The percentage of participants who indicate their training helped prepare them for future employment is generated for the question, "Did your training prepare you for future employment?" "Yes" and "No" responses are used to calculate the measure result.

A probability sample of 4,033 clients was contacted via telephone and internet to complete the survey and 1,745 responses were received.

Surveys were conducted from August 2009 to December 2009 for clients leaving E&I's programs between April 2009 and August 2009.

The margin of error for this group is plus or minus 2.3 per cent at the 95 per cent confidence level.

Source: Employment and Immigration – WORP Survey

Survey Completion Methods: All participants are contacted by telephone initially. For those who cannot be contacted by phone, after ten attempts, the option to call back the survey company via a toll free line is offered in a voice message. Former clients are also offered an online option for completing the survey. Both the telephone and online responses are captured in the results calculation.

Performance Measure 3.c

Percentage of participants employed after leaving Income Support

Results for this measure are obtained through the Work Outcomes Reporting Project (WORP) Survey. An independent consultant is retained through WORP to contact former Income Support program participants three months after they left the program. The participants' employment level is obtained from the question, "Have you been employed at any time since you stopped receiving social assistance (welfare)?" "Yes" and "No" responses are used to calculate the measure result.

Source: Employment and Immigration – WORP Survey

Survey Completion Methods: All participants are contacted by telephone initially. For those who cannot be contacted by phone, after ten attempts, the option to call back the survey company via a toll free line is offered in a voice message. Former clients are also offered an online option for completing the survey. Both the telephone and online responses are captured in the results calculation.

Performance Measure 3.d

Percentage of Child Support Services clients with potential for child support who have a support order or an agreement in place when the file closes

METHODOLOGY

Single parents and parents of blended families in Income Support, Alberta Adult Health Benefit and Assured Income for the Severely Handicapped programs are eligible for help through Child Support Services. The performance measure result is based on the cumulative total of monthly Child Support Services file closures. This excludes those files that were determined, after a Child Support Services assessment, to have no potential for a child support order or agreement. Examples of reasons for this include: no ability to pay, whereabouts unknown, respondent deceased, couple reconciled, etc. This result forms the denominator, from which the number of files with an order or agreement in place at the time of file closure is used as the numerator. This measure is reported by fiscal year and is calculated using the following formula:

$$\% \text{ orders/agreement} = \frac{\text{\# of files closed with an order/agreement in place}}{\text{\# of files closed with potential for an order/agreement}} \times 100$$

Source: Employment and Immigration - Tracking of Maintenance Information System

Performance Measure 3.e

Percentage of Alberta Child Health Benefit parents who agree they are able to obtain health services they would not otherwise have been able to get for their children

METHODOLOGY

Alberta Child Health Benefit (ACHB) parents are surveyed every second year to provide feedback on the services they receive. The result of this measure is a weighted average of the results of three survey questions:

"Using a scale of strongly disagree, somewhat disagree, somewhat agree or strongly agree, to what extent do you disagree or agree that:

- The Alberta Child Health Benefit Program helps your children get dental services that they would not otherwise be able to receive;
- The Alberta Child Health Benefit Program helps your children get optical services (such as eye care and glasses) that they would not otherwise be able to receive; and
- The Alberta Child Health Benefit Program helps your children get prescribed drugs that they would not otherwise be able to receive."

The weighting factor for each question is calculated by dividing the number of responses for that question by the number of total responses for all three questions. The percentage of strongly agree and somewhat agree responses in all responses for each question is then multiplied by the weighting factor to generate a weighted percentage for that question. The result of this measure is the sum of the weighted percentages of the three questions. Since the survey is only conducted every two years, there is no result for the 2009-10 fiscal year.

Source: Employment and Immigration – ACHB Client Satisfaction Survey

Performance Measure 4.a

Percentage of collective bargaining agreements settled without a work stoppage (strike or lockout)

METHODOLOGY

This measure examines the percentage of Collective Bargaining Agreements (CBAs) that have been successfully negotiated and ratified by the parties involved without a work stoppage. E&I collects data on the number of CBAs settled without a work stoppage and the number of legal strikes and lockouts. This measure examines the total number of CBAs settled but does not include data on illegal strikes and lockouts. This measure is reported by fiscal year and is calculated using the following formula:

% of CBAs settled without a work stoppage* =

$$\frac{\text{(\# of settled CBAs) – (\# of settlements with a work stoppage)}}{\text{\# of settled CBAs}} \times 100$$

* This measure includes data from all contracts under the *Alberta Labour Relations Code* and the *Police Officers' Collective Bargaining Act*. Contracts covered under other legislation are excluded (i.e., contracts under the *Public Service Employees Relations Act*, Federal jurisdiction, the *Post-Secondary Learning Act*).

Source: Employment and Immigration – Integrated Bargaining Information System

Performance Measure 4.b

Percentage of employers whose employment practices resulted in no complaints being registered with Employment Standards

METHODOLOGY

The data for the total number of employers with a complaint filed against them is captured by E&I's Employment Standards Information System (ESIS). The data for the total number of employers in Alberta is obtained from Statistics Canada: Canadian Business Patterns. This data set is a repository of information reflecting the Canadian business population and serves as a data source for the compilation of business demographic information. Data is collected daily and cleansed monthly. This data is filtered to count only employers who fall under the Alberta Employment Standards Code and Regulations, and who have one or more employee.

The result for this measure is calculated using the following formula:

$$\frac{\text{(total \# of employers in Alberta)} - \text{(total \# of employers with a complaint filed against them)}}{\text{total \# of employers in Alberta}} \times 100\%$$

Source: Employment and Immigration – Employment Standards Information System and Statistics Canada

Performance Measure 4.c

Lost-Time Claim Rate: number of lost-time claims per 100 person-years worked

METHODOLOGY

The lost-time claim rate represents the probability, or risk, of injury or disease to a worker during a period of one year's work. The measure indicates the number of lost-time claims per 100 person-years worked to indicate increases or decreases in this risk. One person-year is equivalent to one full-time worker working for one year, or 2,000 hours worked.

The Workers' Compensation Board – Alberta (WCB) records a lost-time claim when a worker, his/her physician, or his/her employer submits an injury report form. The WCB collects this information and provides the data files to E&I for analysis. The lost-time claim rate is reported by calendar year and is calculated by E&I using the following formula:

$$\text{Lost-Time Claim Rate} = \frac{\text{\# of lost-time claims}}{\text{estimated person-years worked}} \times 100$$

Source: Employment and Immigration and Workers' Compensation Board - Alberta

Performance Measure 4.d

Disabling Injury Rate: number of disabling injury claims per 100 person-years worked

METHODOLOGY

A disabling injury claim combines both the lost-time and modified-work concepts to produce an overall figure where an occupational injury or disease disables the worker causing either time lost

from work or modification of their normal work duties. The disabling injury rate indicates the number of disabling injury claims per 100 person-years worked to indicate increases or decreases in this risk. For more information on lost-time claims and person-years, see performance measure 4.c.

The Workers' Compensation Board – Alberta (WCB) records a disabling injury claim when a worker, his or her physician, or his or her employer submits an injury report form. The WCB collects this information and provides the data files to E&I for analysis. The disabling injury rate is reported by calendar year and is calculated by E&I using the following formula:

$$\text{Disabling Injury Rate} = \frac{\text{\# of disabling injury claims}}{\text{estimated person-years worked}} \times 100$$

Source: Employment and Immigration and Workers' Compensation Board - Alberta

Performance Measure 5.a

Average number of days from the acceptance of an application to the date of the first hearing

METHODOLOGY

The Alberta Labour Relations Board (ALRB) Case Management System tracks all data relating to applications and hearing dates. In this performance measure, a report has been created from the database that identifies each matter before ALRB during the reporting period. It calculates the average number of calendar days for all matters from the date of the application to the first day of the first hearing.

Source: Alberta Labour Relations Board – Case Management System

Performance Measure 5.b

Percentage of applications, with Board involvement, settled before reaching a formal hearing

METHODOLOGY

The ALRB Case Management System tracks all data relating to the disposition of matters. In this performance measure, a report is created from the database that identifies each matter before ALRB and the type of resolution for that matter (withdrawal/informal settlement). The number of matters resolved before hearings are identified and calculated as a percentage of all matters.

Source: Alberta Labour Relations Board – Case Management System

Performance Measure 5.c

Percentage of decisions rendered within 90 calendar days from the completion of the hearing(s)

METHODOLOGY

The ALRB Case Management System tracks all data relating to hearings and decision timelines. In this performance measure, the case management system is used to identify those decisions that meet the reporting period requirements and calculates the duration from the date that a commitment date was input (or the final date of hearing if a commitment is not required) to the date that the decision was released. Those decisions that are completed in 90 days or less are calculated as a percentage of the total number of decisions released during the reporting period.

Source: Alberta Labour Relations Board – Case Management System

Performance Measure 5.d

Percentage of decisions rendered within 180 calendar days from the completion of the hearing(s)

METHODOLOGY

The ALRB Case Management System tracks all data relating to hearings and decision timelines. In this performance measure, the case management system is used to identify those decisions that meet the reporting period requirements and calculates the duration from the date that a commitment date was input (or the final date of hearing if a commitment is not required) to the date that the decision was released. Those decisions that are completed in 180 days or less are calculated as a percentage of the total number of decisions released during the reporting period.

Source: Alberta Labour Relations Board – Case Management System

Performance Measure 6.a

Average number of days of processing time required by the Appeals Commission from the date the appeal is received until the appeal is finalized (Standard and Complex Appeals)

METHODOLOGY

The Appeals Commission Appeals Management System tracks all data in a fiscal year relating to each appeal. The Appeals Management System generates a report that calculates the average number of days from the date an appeal is first entered into the system until the panel issues the final decision.

The average number of days figure is calculated by subtracting the average number of days that are not in the Commission's control from the average total days from 'appeal' to 'finalize' statuses. The statuses that are not in the Commission's control are intake pending, pending, administrative adjournment, adjourned sine-die, adjourned party and client deferred.

The Appeals Commission business rules outline the process for changing the appeal stream from Standard to Complex after the intake stage.

Source: Appeals Commission – Appeals Management System

Performance Measure 6.b

Percentage of the total number of Appeals Commission decisions issued that are either not challenged or are not overturned upon review by the Courts, the Ombudsman or by the Appeals Commission on reconsideration

METHODOLOGY

The Appeals Commission Appeals Management System tracks all data relating to each appeal. The Appeals Management System generates reports that calculate the number of decisions sent back by the Courts or the Ombudsman and the number of decisions the Appeals Commission reconsiders as a result of reconsideration applications or on its own motion. In 2002, the *Workers' Compensation Act* was amended to include a statutory right of appeal (s. 13.4) on questions of law or jurisdiction.

Source: Appeals Commission – Appeals Management System